Health and Wellness
Section II

Annual Report
2006-2007

Alberta

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Table of Contents

Section I

Section I of this report is published under separate cover. It provides an overview, results analysis and financial statements for the Ministry of Health and Wellness, as well as a summary of the financial statements for the health authorities.

Section II

Index of health authority financial contacts 3

Health Authority Financial Statements

Chinook Regional Health Authority 5
Palliser Health Region 25
Calgary Health Region 37
David Thompson Regional Health Authority 63
East Central Health 81
Capital Health 97
Aspen Regional Health Authority 121
Peace Country Health 133
Northern Lights Health Region 151
Alberta Mental Health Board 167
Alberta Cancer Board 181

Alphabetical List of Entities' Financial Information in Ministry Annual Reports

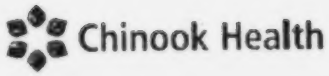
Entities included in the consolidated government reporting entity 195
Entities NOT included in the consolidated government reporting entity 201
Ministry contacts 202

Health Authorities Contact List

Regional Health Authorities and Provincial Health Boards Contacts

For further information regarding the regional health authorities or provincial health boards, please contact:

2006/2007 Health Authorities	Region	Contact Phone Number
Chinook Regional Health Authority	R1	(403) 388-6009
Palliser Health Region	R2	(403) 528-5633
Calgary Health Region	R3	(403) 943-1111
David Thompson Regional Health Authority	R4	(403) 341-8622
East Central Health	R5	(780) 608-8820
Capital Health	R6	(780) 407-1000
Aspen Regional Health Authority	R7	(780) 349-8705
Peace Country Health	R8	(780) 538-5387
Northern Lights Health Region	R9	(780) 791-6161
Alberta Mental Health Board		(780) 422-2233
Alberta Cancer Board		(780) 412-6300



Chinook Regional Health Authority

Financial Statements

March 31, 2007

CHINOOK REGIONAL HEALTH AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2007

Auditor's Report

Statement of Management Responsibility

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Schedule of Expenses by Object

Schedule 2 – Schedule of Salaries and Benefits

CHINOOK REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FINANCIAL STATEMENTS

MARCH 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts that are based on estimates and judgments.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. The Authority has established a code of ethics and corporate directives, which require communication of the code to employees.

The Authority members carry out their responsibility for the financial statements through the Governance Committee. This Committee meets with management and the external auditor, the Auditor General of Alberta, to discuss and review financial matters, and recommends the financial statements to the Chinook Regional Health Authority Board for approval. The external auditor has full and free access to the Governance Committee.

The external auditor, the Auditor General of Alberta, provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

Pam Whitaacke
Chief Executive Officer

Date: *April 24, 2007*

Chief Operating Officer

Date: *April 24, 2007*

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Members of the Chinook Regional Health Authority

I have audited the statement of financial position of the Chinook Regional health Authority ("the Authority") as at March 31, 2007 and the statements of operations and changes in net assets and cash flows for the year then ended. The financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
April 24, 2007

CHINOOK REGIONAL HEALTH AUTHORITY
STATEMENT OF FINANCIAL POSITION
March 31, 2007
(in thousands)

	2007 Actual	2006 Actual
ASSETS		
Current:		
Cash and investments (Note 3)	$ 29,149	$ 9,401
Accounts receivable	5,210	4,522
Contributions receivable from Alberta Health and Wellness	9,863	6,322
Inventories	3,273	2,897
Prepaid expenses	1,220	4,540
	48,715	27,682
Non-current cash and investments (Note 3)	26,925	27,026
Contributions receivable	2,507	3,398
Capital assets (Note 4)	191,302	185,550
Other assets (Note 5)	7,841	8,463
TOTAL ASSETS	$ 277,290	$ 252,119
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 27,105	$ 20,337
Accrued vacation pay	12,252	11,433
Deferred contributions (Note 6)	17,776	9,132
Current portion of long-term debt (Note 8)	121	121
	57,254	41,023
Deferred capital contributions (Note 7)	26,384	26,380
Long-term debt (Note 8)	27	149
Deferred Contributions - Healthy Aging Partnership	3,150	3,400
Unamortized external capital contributions	172,655	168,693
Other liabilities	2,420	2,467
	204,636	201,089
Net assets		
Accumulated deficit	(3,249)	(6,730)
Investment in capital assets from internally funded sources	18,499	16,587
	15,250	9,857
Operating net assets		
Endowments	150	150
	15,400	10,007
TOTAL LIABILITIES AND NET ASSETS	$ 277,290	$ 252,119

The accompanying notes and schedules are part of these financial statements.

CHINOOK REGIONAL HEALTH AUTHORITY
STATEMENT OF OPERATIONS
March 31, 2007
(in thousands)

	2007 Budget (Note 10)	2007 Actual	2006 Actual
Revenue			
Alberta Health and Wellness contributions (Note 11)	$ 280,797	$ 281,008	$ 259,866
Other government contributions (Note 12)	4,582	4,156	4,382
Fees and charges	18,502	17,881	17,637
Ancillary operations, net (Note 13)	405	426	361
Donations	286	280	278
Investment and other income (Note 14)	8,604	10,377	7,565
Amortized external capital contributions	12,084	12,395	11,464
TOTAL REVENUE	325,260	326,523	301,553
Expenses (Schedule 1)			
Facility-based inpatient acute nursing services	76,200	75,754	70,229
Facility-based emergency and outpatient services	18,723	18,479	18,894
Facility-based continuing care services	36,463	36,253	35,055
Community-based care	23,959	24,058	19,514
Home care	15,909	16,173	15,359
Diagnostic and therapeutic services	57,365	57,719	51,671
Promotion, prevention and protection services	12,293	12,834	12,918
Administration	13,145	13,856	12,457
Information technology	10,344	9,143	5,990
Support services	49,135	49,265	47,831
Amortization of facilities and improvements	7,946	7,771	8,130
TOTAL EXPENSES	321,482	321,305	298,048
Excess of revenue over expense	$ 3,778	$ 5,218	$ 3,505

CHINOOK REGIONAL HEALTH AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
March 31, 2007
(in thousands)

	2007					2006
	Accumulated deficit	Investment in capital assets from internally funded sources	Total Operating	Endowments	Total	Total
Balance at beginning of year	$ (6,730)	$ 16,587	$ 9,857	$ 150	$ 10,007	$ 6,404
Excess of revenue over expense	5,218	-	5,218	-	5,218	3,505
Contributed Assets	-	1,475	1,475	-	1,475	98
Capital assets purchased with internal funds	(4,445)	4,445	-	-	-	-
Proceeds from Sale of Land	-	(1,300)	(1,300)	-	(1,300)	-
Amortization of internally funded capital assets	2,829	(2,829)	-	-	-	-
Repayment of long-term debt used to fund capital assets	(121)	121	-	-	-	-
Balance at end of year	$ (3,249)	$ 18,499	$ 15,250	$ 150	$ 15,400	$ 10,007

CHINOOK REGIONAL HEALTH AUTHORITY
STATEMENT OF CASH FLOWS
March 31, 2007
(in thousands)

	2007 Budget	2007 Actual	2006 Actual
Cash generated from (used by):			
Operating activities:			
Excess of revenue over expenses	$ 3,778	$ 5,218	$ 3,505
Non-cash transactions:			
Amortization of capital equipment - internally funded	2,978	2,419	2,552
- externally funded	3,576	4,872	3,624
Amortization of facilities and improvements	7,949	7,814	7,924
Gross amortization of external capital contributions	(11,138)	(12,401)	(11,471)
Loss (gain) on disposal of capital equipment	13	(40)	(74)
Loss (gain) on disposal of facilities and improvements	(900)	-	260
	6,256	7,882	6,320
Changes in non-cash working capital account (Note 15)	2,251	18,487	(3,329)
Cash generated from operations	8,507	26,369	2,991
Investing activities:			
Purchase of capital assets:			
internally funded	(4,910)	(4,445)	(7,388)
externally funded - equipment	(3,050)	(7,340)	(2,162)
externally funded - facility and improvements	(7,647)	(7,132)	(7,675)
Proceeds on sale of investments	2,200	165	89
Capital assets transferred	-	(4,265)	(5,742)
Change in other assets	684	622	(645)
Change in non-current cash	3,156	992	(13,715)
Cash used by investing activities	(9,567)	(21,403)	(37,238)
Financing activities:			
Capital contributions received	8,434	14,476	20,242
Change in non-cash working capital accounts (Note 15)	(205)	(3,541)	(2,901)
Principal payments on long-term debt	(219)	(121)	(252)
Proceeds from long-term debt	-	-	289
Capital assets transferred	-	4,265	5,742
Changes in other liabilities	92	(47)	2,100
Change in deferred contributions - Health Aging Partnership	-	(250)	(270)
Cash generated from financing activities	8,102	14,782	24,950
Increase (decrease) in cash and temporary investments	7,042	19,748	(9,297)
Cash and temporary investments, beginning of year	9,401	9,401	18,698
Cash and temporary investments, end of year (Note 3)	$ 16,443	$ 29,149	$ 9,401

CHINOOK REGIONAL HEALTH AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007
(Thousands of dollars)

Note 1 Authority, Purpose and Operations

The Chinook Regional Health Authority (the "Authority") was established on June 24, 1994 under the authority of the Regional Health Authority Act, Chapter R-10, Revised Statutes of Alberta 2000. The Authority is exempt from the payment of income tax and is also a registered charity under the Income Tax Act.

The Authority is responsible for the delivery of appropriate, accessible and affordable health services within the Chinook Region (the "Region"). This responsibility includes operating programs designed to promote, protect, maintain, restore and enhance physical and mental well-being.

The operations of the Authority include the following facilities:

Rural Hospital/Health Centre Sites

- Chinook Health – Milk River Health Centre
- Chinook Health – Pincher Creek Health Centre
- Chinook Health – Taber Health Centre
- Chinook Health – Fort Macleod Health Centre
- Chinook Health – Crowsnest Pass Health Centre
- Chinook Health – Raymond Health Centre
- Chinook Health – Cardston Health Centre
- Chinook Health – Magrath Health Centre
- Chinook Health – Coaldale Health Centre
- Chinook Health – Piyami Health Centre

Community Health Sites:

- Chinook Health – Lethbridge Community Health Site
- Chinook Health – Vauxhall Community Health Site
- Chinook Health – Taber Community Health Site
- Chinook Health – Coaldale Community Health Site
- Chinook Health – Raymond Community Health Site
- Chinook Health – Crowsnest Pass Community Health Site
- Chinook Health – Magrath Community Health Site
- Chinook Health – Pincher Creek Community Health Site

Note 1 Authority, Purpose and Operations (continued)

Other Sites/Locations:

- Chinook Regional Hospital
- Chinook Health – Children's CARE Centre
- Chinook Health – Raymond Care Centre
- Chinook Health – Lethbridge Community Care Services
- Chinook Health – Community Mental Health
- Chinook Health – Population Health
- Chinook Health – Seniors' Health Bridges/Geriatric Community Rehab

These financial statements do not include the assets, liabilities and operations of any voluntary or private facilities providing health services in the region. Information on these facilities is disclosed in Note 16(e). The Authority accounts for its interest in the Regional Shared Health Information Program (RSHIP) on a proportionate consolidation basis in Note 16 (f). The Authority's interest is 50% in the Chinook Primary Care Network, a joint venture, is included in the financial statements under the proportionate consolidation method in Note 16 (g).

Note 2 Significant Accounting Policies and Reporting Practices

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Financial Directive 29 issued by Alberta Health and Wellness. Following are the significant accounting policies:

(a) Basis of Presentation
These financial statements are prepared using the deferral method of accounting. The Foundations are not consolidated.

(b) Revenue Recognition

(i) Unrestricted operating grants and other contributions are recognized as revenue when receivable.

(ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred.

(iii) Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

(iv) Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases to net assets.

(v) Unrestricted investment income is recognized in the year it is earned.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(vi) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the year the related expenses are incurred.

(vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(c) Full cost

The Authority accounts for all costs and revenues related to services carried out for which it is responsible.

The fair value of costs of services are recorded. The fair value transactions recorded consist of the following:

(i) Revenues earned by contracted health service operators from Ministry of Health and Wellness designated fees and charges are recorded as fees and charges of the Authority. An equivalent amount is recorded as contracted health service operator expense of the Authority.

(ii) Payments made by Alberta Health and Wellness directly to contracted health service operators for health programs are recorded as revenues and an equivalent amount recorded as program expenses as these payments represent part of the cost of the Authority's health programs.

(iii) The fair value for the use of non-acute care facilities not owned by the Authority and provided to the Authority at zero or nominal rent is recorded as other government contributions and as program expenses.

(iv) Other assets, supplies and service contributions that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers contribute a significant amount of time each year to assist the Authority in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenues and expenses in these financial statements because fair value cannot be reasonably determined.

(d) Employee Future Benefits

The Authority participates in the Local Authorities Pension Plan. This is a multi-employer defined benefit plan that provides pensions for the Authority's participating employees, based on years of service and earnings.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Authority's portion of the pension plans' deficit or surplus is not recorded by the Authority.

The Authority participates in a defined benefit plan for a prescribed class of employees. Benefits are based on years of service and 1.75% of the excess of the average of full calendar year earnings over a consecutive five year period for which such average is highest over the average of maximum pensionable earnings as determined under the provisions of the Local Authorities Pension Plan over the same consecutive five year period multiplied by the member's total years of healthcare (LAPP) eligible service after December 31, 1991. The plan is unfunded. The Authority accrues its obligation for the defined benefit pension plan as the employee renders the service necessary to earn benefits.

The Authority fully accrues its obligations for employee non-pension future benefits.

(e) Investments

Temporary investments are recorded at lower of cost and market. Non-current investments are recorded at cost. Where there has been a loss in the value of an investment other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(f) Financial Instruments

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value as of March 31, 2007 because of the short-term maturity of these items.

The carrying value of long-term debt approximates fair value.

(g) Inventories

Inventories are valued at the lower of cost, determined on a moving average, or net realizable value.

(h) Capital Assets

Capital assets and construction projects in progress are recorded at cost. Capital assets costing less than five thousand dollars are expensed.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Capital assets except land, construction in progress and art are amortized over their estimated useful lives on a straight line basis as follows:

	Useful Life
Land improvements	10 - 25 years
Buildings	20 - 40 years
Building Service Equipment	10 - 25 years
Equipment	3 - 15 years

Construction projects in progress are not amortized until the project is complete.

Leases transferring substantially all of the benefits and risks of ownership of capital assets to the Authority are accounted for as acquisitions of capital assets financed by long-term obligations.

The Authority is subject to regulations requiring the repair, removal and disposal of friable asbestos. The obligation, under these regulations meets the definition of a conditional asset retirement obligation.

As a result of the longevity of the Authority's facilities, due in part to the Authority's maintenance procedures, and the fact that the Authority does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the Authority's facilities is indeterminate as at March 31, 2007. As a result, the Authority is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts when they can be estimated.

(i) Measurement Uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Capital assets are amortized over their estimated useful lives. The amounts recorded for amortization of external capital contributions are based on estimates of the useful life of related assets. Actual results could differ from these estimates.

Note 3 Cash and Investments

	2007		2006	
	Market Value	Carrying Value	Market Value	Carrying Value
Cash and equivalents	$ 30,604	$ 30,897	$ 24,046	$ 24,046
Term deposits [i]	12,812	12,812	647	647
Fixed income securities [ii]	10,713	10,415	9,747	9,654
Equities [iii]	3,120	1,950	3,118	2,080
	$ 57,249	56,074	$ 37,558	36,427
Amount held for non-current purposes		(26,925)		(27,026)
		$ 29,149		$ 9,401

Income and financial returns are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur when another party fails to perform according to terms of the contract. Price risk comprises interest rate risk and market risk. Interest rate risk relates to the possibility that investments will change in value with future fluctuations in market interest rates. Market risk relates to the possibility that investments will change in value due to fluctuations in market prices.

To earn optimal financial returns at an acceptable level of risk, management has established a policy asset mix of 65% to 100% for fixed-income instruments, 0% to 25% for equities, and 0% to 20% for cash and cash equivalents. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed-income and equity instruments.

i) Term deposits with Alberta Treasury Branches maturing as follows:
- Maturing May 2007 and bearing interest at 4.25%.
- Maturing July, 2009 and bearing interest at 4.27% paid annually.

ii) Fixed-income securities have an average effective yield of 4.73% per annum for securities maturing between 1 and 10 years. As at March 31, 2007, the securities have the following term structure based on par:

	%
1 to 5 years	29.02
5 to 10 years	38.18
Over 10 years	32.79

iii) Equities comprise publicly traded equities. Risk is reduced by prudent security selection and sector rotation.

Non-current cash and investments represent the following:

	2007	2006
Endowments	$ 150	$ 150
Externally restricted for capital acquisitions	26,309	26,380
Externally restricted for specific purposes	466	496
	$ 26,925	$ 27,026

Note 4 Capital Assets

	Opening Balance	Cost Transfers	Additions	Disposals	Closing Balance	Opening Balance	Current Year Amortization	Amortization on Disposals	Closing Balance	Net Book Value 2007	Net Book Value 2006
Land	$ 3,712	$ 1,475	$ -	$ 1,300	$ 3,887	$ -	$ -	$ -	$ -	$ 3,887	$ 3,712
Other Non-depreciable Assets	46	-	-	2	44	-	-	-	-	44	46
Land Improvements	4,500	167	-	-	4,667	3,853	112	-	3,965	502	447
Buildings and Improvements	251,236	9,314	-	1,030	259,520	107,793	6,810	130	114,573	144,947	143,443
Building Service Equipment	10,775	1,339	-	-	12,114	3,822	698	-	4,520	7,594	6,956
Leasehold Improvements	1,209	-	-	-	1,209	229	93	-	322	887	980
Major Equipment - Other	62,259	-	7,013	4,017	65,255	46,731	5,162	3,866	48,027	17,228	15,528
Major Equipment - Information Systems	13,422	-	292	196	13,518	12,302	470	196	12,576	942	1,120
Major Equipment - Software Licenses	947	10,367	43	71	11,306	546	1,641	-	2,187	9,119	401
Construction in Progress (CIP)	12,917	(18,422)	11,657	-	6,152	-	-	-	-	6,152	12,917
	$ 360,826	$ 4,257	$ 19,005	$ 6,616	$ 377,472	$ 175,276	$ 15,106	$ 4,212	$ 186,170	$ 191,302	$ 185,550

Assets acquired from the Province which are included in the above transferred amounts:

	Net Book Value 2007
Land	$ 1,475
Buildings & Improvements	2,790
	$ 4,265

(a) Land

Land at the Crowsnest Pass General and Auxiliary Hospital and Picture Butte Health Centre has been provided to the Authority at nominal value.

(b) Leased Capital Assets

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and Improvements[1]	$ 39,995	$10,397	$29,598	$ 23,437
Major Equipment - Other	414	204	210	281
	$ 40,409	$10,601	$29,808	$ 23,718

[1] The building and improvements under capital lease pertain to the transfer of assets from St. Michael's Health Centre and Coaldale Health Care Centre to Alberta Infrastructure. Alberta Infrastructure subsequently leased these assets to the Authority.

Note 4 Capital Assets (continued)

Capital assets have been funded from the following sources:

	2007	2006
Externally funded	$ 172,655	$ 168,693
Internally funded	18,499	16,587
Financed by debt	148	270
	$ 191,302	$ 185,550

Note 5 Other Assets

	2007	2006
Long-term receivable		
Supportive Living Options	$ 7,812	$ 8,402
Participating Physicians	29	61
	$ 7,841	$ 8,463

The amounts included in the Supportive Living Options are forgivable for services rendered by the contracted health service provider over the life of the Continuing Care Agreement. The Continuing Care Agreement is for a term of 20 years effective from the date of commencement of operations, unless otherwise terminated.

The Chinook Health Region provided financial assistance to participating physicians to assist in a portion of costs of the Sleep Apnea clinic. These costs will be reimbursed to the Chinook Health Region over the term of the existing agreement of 5 years.

Note 6 Deferred Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
Childrens	$ 737	$ -
Donations	466	496
Immunization Programs	668	260
Mental Health-Innovation Funds	2,540	1,638
Palliative Care	500	-
Physician On Call	1,859	1,969
Primary Care Network	3,456	-
Seniors' Health	2,110	173
Stanford Management Training	300	188
Stroke Strategy	797	611
Telehealth Programs	466	177
Other	3,877	3,620
	$ 17,776	$ 9,132

Note 7 Deferred Capital Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
Equipment replacement	$ 5,045	$ 3,581
New construction	21,339	22,799
	$ 26,384	$ 26,380

Note 8 Long-term Debt

	2007	2006
Obligations under capital leases	$ 148	$ 270
Less: current portion	121	121
Long-term portion	$ 27	$ 149

Note 8 Long-term Debt (continued)

Future payments	Capital Leases
For the year ended March 31:	
2008	$ 121
2009	27
	$ 148

Capital leases expire on various dates to June 2008.

Note 9 Deferred Contributions – Healthy Aging Partnership

Funds received from Alberta Health and Wellness for the purpose of providing supportive living options to the Region's residents are recorded as long-term deferred contributions.

During the year the Authority amortized $218 (2006 - $238) of the Healthy Aging Partnership program to community and home-based services and recognized an equal amount as revenue under Alberta Health and Wellness Contributions.

Note 10 Budget

	2007 Approved Budget [1]	Additional Funding [2]	2007 Reported Budget
Revenue:			
Alberta Health and Wellness contributions	$ 274,598	$ 6,199	$ 280,797
Other government contributions	4,582	-	4,582
Fees and charges	18,502	-	18,502
Net ancillary operations	405	-	405
Donations	286	-	286
Investment and other income	8,604	-	8,604
Amortization of external capital contributions	12,084	-	12,084
		-	
Total revenue	319,061	6,199	325,260
Expenses:			
Facility-based inpatient acute nursing care services	76,200	-	76,200
Facility-based emergency and outpatient services	18,723	-	18,723
Facility-based continuing care services	36,463	-	36,463
Community-based care	23,959	-	23,959
Home care	15,909	-	15,909
Diagnostic and therapeutic services	57,365	-	57,365
Promotion, prevention and protection services	12,293	-	12,293
Administration	13,145	-	13,145
Information technology	10,344	-	10,344
Support services	49,135	-	49,135
Amortization of facilities and improvements	7,946	-	7,946
Total expenses	321,482	-	321,482
Excess of revenue over expense	$ (2,421)	$ 6,199	$ 3,778

(1) The budget was approved by the members of the Authority on July 12, 2006 and submitted to the Minister of Health and Wellness.

(2) On August 24, 2006, Alberta Health & Wellness announced additional funding to address cost pressures ($4,364) and the impact of the licensed practical nurses' mediated settlement ($1,835).

Note 11 Alberta Health and Wellness Contributions

	2007	2006
Unrestricted contributions	$ 270,402	$ 251,155
Transfers from deferred contributions	8,076	8,295
Healthy Aging Partnership (Note 9)	218	238
Primary Care Network (Note 16 g)	1,513	-
Alberta Health and Wellness payments to contract operators		
Non-district nursing home capital upgrade progam	799	178
	$ 281,008	$ 259,866

Note 12 Other Government Contributions

	2007	2006
Person's with Developmental Disabilities		
South Alberta Board	$ 2,289	$ 2,297
Transfers from deferred contributions	783	1,017
Alberta Infrastructure	170	110
	3,242	3,424
Fair value of rent less rent charges for non-acute care facilities used by the Authority	914	958
	$ 4,156	$ 4,382

Note 13 Ancillary Operations

	2007						2006
	Non-Patient Food Services Operations	Laundry Operations	Parking Operations	Other Operations	Total	Budget	Total
Revenues							
Revenues	$ 1,274	$ 89	$ 391	$ 209	$ 1,963	$ 2,048	$ 1,969
Amortization of deferred capital contributions	-	1	5	-	6	-	7
	$ 1,274	$ 90	$ 396	$ 209	$ 1,969	$ 2,048	$ 1,976
Expenses							
Other expenses	1,132	89	56	214	1,491	1,597	1,562
Amortization	5	1	46	-	52	46	53
	$ 1,137	$ 90	$ 102	$ 214	$ 1,543	$ 1,643	$ 1,615
Excess (deficiency) of revenues over expenses	$ 137	$ -	$ 294	$ (5)	$ 426	$ 405	$ 361

Note 14 Investments and Other Income

	2007	2006
Investment Income Earned		
Unrestricted resources	$ 1,771	$ 1,193
Restricted resources for capital assets	21	14
Resources held for endowment	7	7
	1,799	1,214
Other Income		
Transfers from deferred contributions	1,970	1,611
Other	6,629	4,754
	10,398	7,579
Less amounts deferred:		
Restricted for capital asset acquisition	(21)	(14)
	$ 10,377	$ 7,565

Investment income is comprised of interest and dividends and gains or losses on the sale of investments.

Other income is comprised of recoveries from sources external to the Health Authority for compensation, material and supplies.

Note 15 Changes in Non-Cash Working Capital Accounts

	2007	2006
Accounts receivable	$ (4,229)	$ (2,653)
Inventories	(376)	(583)
Prepaid expenses	3,320	(2,962)
Accounts payable and accrued liabilities	6,768	(3,699)
Accrued vacation pay	819	1,170
Current portion of deferred contributions	8,644	2,497
	$ 14,946	$ (6,230)
Reflected in the Statement of Cash Flows as:		
Operating activities	$ 18,487	$ (3,329)
Financing activities	(3,541)	(2,901)
	$ 14,946	$ (6,230)

Note 16 Related Parties

(a) Provincial Government

The Authority is established under the Regional Health Authorities Act. The Minister of Health and Wellness appoints the members. The Authority is economically dependent upon the Minister of Health and Wellness since the viability of its on-going operations depends on contributions from the Minister. Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Transactions between the Authority and the Province of Alberta are disclosed in the Statement of Operations and in the notes and Schedule 3 to the financial statements.

(b) Foundations

The Authority exercises control over the following Foundations by virtue of its ability to appoint a majority of the voting members of the Boards of Directors. These Foundations were established under the Regional Health Authorities Act and are registered charities under the Income Tax Act.

The controlled Foundations are not consolidated in these financial statements.

Note 16 Related Parties (continued)

(i) Crowsnest Pass Health Foundation (established August 28, 1996)

	2007	2006
Total assets	$ 241	$ 216
Total liabilities	(14)	(3)
Net assets	$ 227	$ 213
Revenue	251	$ 165
Expenses	(236)	(132)
Excess of revenue over expenses	$ 15	$ 33

The resources of the Foundation amounting to $27 have been restricted by the donors for the exclusive use of Crowsnest Pass Health Care Facility.

The financial statements for the Crowsnest Pass Health Foundation are prepared using the Restricted Fund method.

(ii) Cardston and District Health Foundation (established August 28, 1996)

	2007	2006
Total assets	$ 30	$ 25
Total liabilities	-	(12)
Net assets	$ 30	$ 13
Revenue	$ 150	$ 54
Expenses	(133)	(67)
Excess (deficiency) of revenue over expenses	$ 17	$ (13)

The resources of the Foundation amounting to $1 have been restricted by the donors for the exclusive use of Cardston Health Care Facility.

The financial statements for the Cardston and District Health Foundation are prepared using the Restricted Fund method.

Note 16 Related Parties (continued)

(iii) North County Health Foundation (established October 16, 1997)

	2007	2006
Total assets	$ 49	$ 41
Total liabilities	(4)	-
Net assets	$ 45	$ 41
Revenue	$ 48	$ 28
Expenses	(43)	(53)
Excess (deficiency) of revenue over expenses	$ 5	$ (25)

The resources of the Foundation amounting to $3 have been restricted by the donors for the exclusive use of Picture Butte Health Care Facility.

The financial statements for the North County Health Foundation are prepared using the Restricted Fund method.

(iv) Fort Macleod and District Health Foundation (established April 21, 1998)

	2007	2006
Total assets	$ 63	$ 63
Total liabilities	(1)	(1)
Net assets	$ 62	$ 62
Revenue	$ 31	$ 31
Expenses	(3)	(3)
Excess of revenue over expenses	$ 28	$ 28

The resources of the Foundation amounting to $nil have been restricted by the donors for the exclusive use of Fort Macleod Health Care Facility.

The financial statements for the Fort Macleod and District Health Foundation are prepared using the Restricted Fund method.

Note 16 Related Parties (continued)

(v) Windy Slopes Health Foundation (established April 28, 1998)

	2007	2006
Total assets	$ 109	$ 72
Total Liabilities	(5)	(6)
Net assets	$ 104	$ 66
Revenue	$ 249	$ 145
Expenses	(211)	(134)
Excess of revenue over expenses	$ 38	$ 11

The resources of the Foundation amounting to $26 have been restricted by the donors for the exclusive use of Pincher Creek Health Care Facility.

The financial statements for the Windy Slopes Health Foundation are prepared using the Restricted Fund method.

Note 16 Related Parties (continued)

	Contributions Received by Health Authority		Resources held by Foundation	
	Year ended March 31		At March 31, 2007	
	2007	2006	Externally Restricted	Unrestricted
Crowsnest Pass Health Foundation	$ 177	$ 107	$ 27	$ 200
Cardston and District Health Foundation	93	42	1	29
North County Health Foundation	22	36	3	42
Fort Macleod and District Health Foundation	-	-	-	-
Windy Slopes Health Foundation	123	103	26	78
	$ 415	$ 288	$ 57	$ 349

Note 16 Related Parties (continued)

(c) Other Foundations

The Authority has an economic interest in the Lethbridge Regional Hospital Foundation and the Taber and District Health Foundation by virtue of its representation on the Board of Directors. The Foundations were established to raise funds for use in the respective community. The Foundations were continued under the Regional Health Authorities Act and are registered charities under the Income Tax Act. Financial information for these foundations is as follows:

	Contributions Received by Health Authority		Resources held by Foundation	
	Year ended March 31		At March 31, 2007	
	2007	2006	Externally Restricted	Unrestricted
Lethbridge Regional Hospital Foundation	$ 658	$ 581	$ 5,053	$ 336
Taber and District Health Foundation	367	65	422	389
	$ 1,025	$ 646	$ 5,475	$ 725

Contributions include externally restricted amounts for equipment, programs, research, and education for the specific communities supported by the Foundations.

Note 16 Related Parties (continued)

The value of administrative support provided to Foundations, and the accounts receivable from the Foundations at year end are as follows:

	Administrative Support		Accounts Receivable	
	Year ended March 31		As at March 31	
	2007	2006	2007	2006
Controlled Foundations:				
Crowsnest Pass Health Foundation	$ 20	$ 19	$ 14	$ 3
Cardston and District Health Foundation	20	19	-	12
North County Health Foundation	15	15	4	-
Fort Macleod and District Health Foundation	-	-	-	-
Windy Slopes Health Foundation	20	19	3	-
Other Foundations:				
Lethbridge Regional Hospital Foundation	303	258	575	80
Taber and District Health Foundation	13	12	9	44
	$ 391	$ 342	$ 605	$ 139

(d) Society of Friends of the Lethbridge Regional Hospital (the "Society")

The Authority significantly influences the Society through its provision of administrative and financial services and by representation on the Board. The Society is incorporated under the Societies Act of Alberta and operates the gift shop, telephone and television rentals, and other various fund-raising activities. All funds earned are used to support the activities of the Lethbridge Regional Hospital Site of the Authority by transferring funds through the Lethbridge Regional Hospital Foundation.

As at March 31, 2007, $44 (2006 - $19) was due to the Authority for net inter-entity transactions.

Note 16 Related Parties (Continued)

(e) Voluntary and Private Health Service Operations

The Authority has an economic interest through its contracts with voluntary and private health service operators to provide health services in the Region. Funding was provided as follows:

	2007			2006		
	Voluntary Health Service Providers	Private Health Service Providers	Total	Voluntary Health Service Providers	Private Health Service Providers	Total
Direct Region funding	$11,354	$33,839	$45,193	$11,827	$30,304	$42,131
Direct Alberta Health & Wellness funding	-	799	799	-	178	178
Fees and charges	2,610	4,508	7,118	3,234	4,208	7,442
Total	$ 13,964	$ 39,146	$ 53,110	$ 15,061	$ 34,690	$ 49,751

(f) Regional Shared Health Information Program ("RSHIP")

The seven non-metro health regions: Palliser Health Region, David Thompson Health Region, Aspen Health Region, Northern Lights Health Region, Peace Country Health Region, Chinook Health Region, East Central Health Region, have entered into an agreement under the name Regional Shared Health Information Program (RSHIP), to develop and implement a common, integrated health information system. This standard system will integrate with Alberta's Provincial Electronic Health Record (EHR) initiative.

	2007	2006
Alberta Health & Wellness Funding	$ 2,049	$ 2,898
Health Authority contribution	2,650	6,152
Total	$ 4,699	$ 9,050

The Authority's proportionate share of expenditures and costs incurred directly are as follows:

Expenses	$ 1,581	$ 958
Capital assets	3,118	8,092
Total	$ 4,699	$ 9,050

The Authority accounts for its interest in RSHIP on a proportionate consolidation basis.

Note 16 Related Parties (continued)

g) Primary Care Network

The Authority's interest in the Chinook Primary Care Network, a joint venture, is included in the financial statements under the proportionate consolidation method.

	Authority's 50% Share 2007
Statement of Financial Position:	
Cash	$ 3,456
Deferred Contributions:	
Opening Balance	$ 1,061
Contributions from AHW	3,908
Amounts recognized as revenue	(1,513)
	$ 3,456
Statement of Operations:	
Revenue (Note 11)	$ 1,513
Expenses	1,513
	$ -

Note 17 Trust Funds

The Authority receives funds in trust from Alberta Health and Wellness for the Chinook Primary Care Network. This initiative is a trilateral agreement between the Alberta Medical Association, the Regional Health Authority, and Alberta Health and Wellness. Family physicians in communities in Southwestern Alberta are identifying ways to strengthen the services and care they've always delivered to their patients through the Chinook Primary Care Network. These amounts are not reported in the statements.

During the year, the Authority received $7,817 and disbursed $5,776. The balance of the funds held by the Authority is $3,163.

Note 18 Pension Costs

a) The Authority participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the Authority's annual contributions payable of $8,812 for the year ended March 31, 2007 (2006 - $8,090).

At December 31, 2006, the Local Authorities Pension Plan reported a deficiency of $746,651 (2005 - deficiency of $863,558).

Note 18 Pension Costs (continued)

b) The Authority established a defined benefit pension plan for a prescribed class of employees effective March 3, 2004. The pension plan is unfunded. At March 31, 2007 the unamortized accrued benefit obligation is $415. The significant actuarial assumptions in measuring the Authority's accrued benefit obligation is valued as of March 31, 2004 and the amounts are extrapolated to March 31, 2007 as follows:

Discount Rate	6.00%
Increase in pensionable earnings	3.50%
Increase in maximum pension permitted Under income tax act	3.50%

Note 19 Commitments and Contingencies

a) The Authority is committed to future capital upgrade projects in the amount of $8,981.

b) The Authority has entered into various commitments for the purchase of consumables, reagents and chemicals. The commitments expire at various dates to June, 2008.

c) The Authority has not recognized a liability of certain legal obligations, primarily special handling for the removal and disposal of encapsulated asbestos from facilities and equipment. The fair value cannot be reasonable estimated as the settlement dates are unknown.

d) The Authority, in the conduct of its normal activities, is named a defendant in various legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management that adequate provision for these proceedings have been made in the Authority's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the Authority, however, should any loss result from the resolution of these proceedings, such amounts would be expensed as the related amounts become known to the Authority.

e) The Authority has been named as a defendant in a legal action in respect of increased long-term care accommodation charges levied effective August 1, 2003. The claim has been filed against the Province of Alberta and the Regional Health Authorities. The amount of the claim is in excess of $150 million based on the amount of the increase in accommodation charges levied, which came into effect August 1, 2003. The outcome of the claim is not determinable.

Note 20 Comparative Figures

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

Note 21 Accumulated Deficit

Funding announced in the amount of $4.2 million relating to the replacement of plant equipment was not received by March 31, 2007. Chinook Health expects these dollars in the March 31, 2008 operating year, which will eliminate the accumulated deficit carried forward from March 31, 2007.

Note 22 Approval of Financial Statements

These financial statements have been approved by the Board of the Authority.

Schedule 1

CHINOOK REGIONAL HEALTH AUTHORITY
SCHEDULE OF EXPENSES BY OBJECT
March 31, 2007
(in thousands)

	Budget	2007	2006
Salaries and Benefits (Schedule 2)	$ 182,593	$ 180,875	$ 169,715
Contracts with health service providers (Note 16 e)	52,793	53,110	49,751
Drugs and gases	5,790	6,209	5,610
Medical and surgical supplies	8,365	8,807	7,581
Other contracted services	22,827	20,662	19,411
Interest on long-term debt	34	11	41
Other *	36,174	38,108	33,278
Amortization:			
Capital equipment - internally funded	2,978	2,379	2,478
Capital equipment - externally funded	3,576	4,873	3,624
Facilities and improvements	7,949	7,814	8,174
	323,079	322,848	299,663
Less amounts reported in ancillary operations (Note 13)	(1,597)	(1,543)	(1,615)
	$ 321,482	$ 321,305	$ 298,048

*Included in other expense are the following:

Supplies	$ 15,896	$ 16,012	$ 14,781
Minor equipment and maintenance	7,489	7,159	6,653
Travel	4,008	3,948	3,667
Utilities	5,546	5,674	5,463
Other	3,236	5,315	2,714
	$ 36,174	$ 38,108	$ 33,278

HEALTH AUTHORITY
SCHEDULE OF SALARIES AND B ENEFITS
March 31, 2007
(in thousands)

		2007								2006				
		Number of Individuals[1]	Salaries and Honoraria[2]	Benefits and Allowances[3]	Supplemental Executive Retirement Plan[4]	Sub Total	Severance: Number of Individuals	Severance: Amount	Total	Number of Individuals[1]	Salaries, Honoraria, Benefits [2][3]	Supplemental Executive Retirement Plan[4]	Severance	Total
Health Authority Chairperson	Ady, Jack	1	$ 32	$ -	$ -	$ 32	$ -	$ -	$ 32	1	$ 35	$ -	$ -	$ 35
Board members (list)														
	Bier, Donna	1	15	1	-	16	-	-	16	1	14	-	-	14
	Birkoff, Phyllis	1	11	1	-	12	-	-	12	1	9	-	-	9
	Farr, James	1	13	-	-	13	-	-	13	1	15	-	-	15
	Hickman, Lloyd	1	10	1	-	11	-	-	11	1	13	-	-	13
	Kelly, Inez	1	14	-	-	14	-	-	14	1	9	-	-	9
	Marra, Sam	1	18	-	-	18	-	-	18	1	11	-	-	11
	Olsen, Thaine	1	12	-	-	12	-	-	12	1	11	-	-	11
	Peterson, Beverley	1	11	-	-	11	-	-	11	1	13	-	-	13
	Reti, Rey	1	13	-	-	13	-	-	13	1	10	-	-	10
	Sanford, Arthur	1	12	1	-	13	-	-	13	1	12	-	-	12
	Schindeler, Douglas J.	1	10	-	-	10	-	-	10	1	12	-	-	12
Sub-total		12	171	4	-	175	-	-	175	12	164	-	-	164
Staff														
Chief Executive Officer		1.00	282	22	28	312	-	-	312	1.00	287	28	-	315
Management reporting to CEO:														-
	Chief Clinical Officer	1.00	303	-	-	303	-	-	330	1.00	304	-	-	304
	Chief Operating Officer	1.00	197	22	17	236	-	-	219	1.00	214	17	-	231
	Director People Strategies	0.42	41	10	-	51	-	-	51	-	-	-	-	-
	Executive Director Fund Development	1.00	96	19	-	115	-	-	115	1.00	132	-	-	132
	Director Corporate Communications	1.00	106	19	-	125	-	-	125	1.00	107	-	-	107
	Director Corporate Planning & Support	1.00	113	15	-	128	-	-	128	1.00	116	-	-	116
	Director Issues Management	1.00	116	23	-	139	-	-	139	1.00	125	-	-	125
	Director of Planning	1.00	118	24	-	142	-	-	142	1.00	133	-	-	133
	Manager of Executive Suite	1.00	75	17	-	92	-	-	92	1.00	86	-	-	86
	Executive Director Special Projects	1.00	124	25	-	149	-	-	149	0.16	23	-	-	23
Other management reporting to those above		11.68	1,584	263	-	1,847	-	-	1,847	10.64	1,567	-	-	1,567
Other management		67.55	8,056	1,734	-	9,790	4	44	9,834	111.88	11,683	-	-	11,883
Medical doctors not included above		4.93	1,420	93	-	1,513	-	-	1,513	5.83	1,997	-	-	1,997
Regulated nurses not included above - RN's, Reg. Psych, Nurses, Grad Nurses		738.56	56,221	10,431	-	66,652	-	-	66,652	733.75	64,383	-	6	64,389
- LPNs		166.47	7,902	1,438	-	9,040	-	-	9,040	170.42	8,183	-	3	8,186
Other health technical & professionals		541.50	35,404	6,636	-	42,040	3	18	42,056	448.28	36,328	-	-	36,328
Unregulated health service providers		165.19	5,775	1,105	-	6,878	1	3	6,881	158.56	5,791	-	84	5,791
Other staff		861.05	33,901	7,134	-	41,035	9	50	41,085	840.86	37,754	-	-	37,838
Total Staff Compensation		2,587.35	151,512	29,030	45	180,587	17	113	180,700	2,490.71	169,413	45	93	169,551
Grand Total		2,599	$ 151,683	$ 29,034	$ 45	$ 180,762	17	$ 113	$ 180,875	2,502.71	$ 169,577	$ 45	$ 93	$ 169,715

Schedule 2 (continued)

CHINOOK REGIONAL HEALTH AUTHORITY
SCHEDULE OF SALARIES AND BENEFITS
March 31, 2007

(1) Full Time Equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full-time employee. Total actual discrete number of individuals employed: 4,237 (2006 - 4,210).

"Individuals" are those on salary or wage, including contract persons considered employees under Canada Customs and Revenue Agency (CCRA) guidelines and rulings.

(2) Salaries include regular base pay, overtime, lump sum payments, shift differential, honoraria, sick leave, short-term disability, earned vacation leave and other remuneration.

(3) Benefits and allowances include the employer's share of all employee benefits and contributions or payments paid or payable on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, Canada Pension Plan, employment insurance, workers compensation, car allowance, professional memberships, recruitment and relocation expenses and tuition.

(4) Supplemental Executive Retirement Plans (SERPs) refer to future supplemental retirement payments to executive officers. The accrued obligation for each executive under the SERP is as follows:

	2007	2006
Chief Executive Officer	$ 86	$ 58
Chief Operating Officer	53	36
	139	94
Retired Executive	276	297
	$ 415	$ 391

(5) Severance includes all monies paid or payable directly or on behalf of an employee upon termination that do not relate to salaries and benefits. The number of individuals receiving severance's disclosed in the schedule is the discrete number of individuals.

(6) The Chief Executive Officer is provided with an automobile; no dollar amount is included under benefits and allowances.

PALLISER HEALTH REGION

FINANCIAL STATEMENTS

March 31, 2007

Statement of Management Responsibility
Auditors' Report
Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to the Financial Statements
Schedule 1 - Schedule of Expenses by Object
Schedule 2 - Schedule of Salaries and Benefits

PALLISER HEALTH REGION
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
Financial Statements
March 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Palliser Health Region Board. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts that are based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system provides management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained and assets are adequately safeguarded. Palliser has established a code of ethics and corporate directives, which include communication of the code to employees.

Palliser's board members carry out their responsibility for the financial statements through the Corporate Services Committee. This Committee meets with management and the external auditors, Johnston Morrison Hunter & Co. LLP, to review financial matters, and recommends the financial statements to the Palliser Health Region Board for approval. The external auditors have free access to the Corporate Services Committee.

The external auditors, Johnston Morrison Hunter & Co. LLP, provide an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

Tom Seaman
President / Chief Executive Officer

Seamas O'Fuarthain
Chief Financial Officer

AUDITORS' REPORT

TO THE MEMBERS OF THE PALLISER HEALTH REGION AND THE MINISTER OF ALBERTA HEALTH AND WELLNESS

We have audited the statement of financial position of the **Palliser Health Region** as at March 31, 2007 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Palliser Health Region as at March 31, 2007 and the results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Johnston Morrison Hunter & Co. LLP

CHARTERED ACCOUNTANTS

MEDICINE HAT, ALBERTA
MAY 17, 2007

430 - 6th Ave. S.E. Box 247 Stn. Main, Medicine Hat, AB, Canada T1A 7E9 Ph. (403) 527-4451 Fax (403) 529-2045 1-800-465-7699

PALLISER HEALTH REGION
STATEMENT OF FINANCIAL POSITION
March 31, 2007
(thousands of dollars)

	2007	2006
ASSETS		
Current assets:		
Cash and short-term investments (note 3)	$20,711	$11,067
Accounts receivable	4,473	3,965
Contributions receivable from Alberta Health and Wellness	2,105	1,589
Inventories	1,091	1,029
Prepaid expenses	1,972	1,940
	30,352	19,590
Non-current investments (note 3)	12,584	15,797
Non-current advance - continuing care partnerships (note 4)	9,190	9,594
Other assets (note 5)	322	478
Capital assets (note 6)	73,731	74,274
TOTAL ASSETS	$126,179	$119,733
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bank indebtedness (note 3)	$0	$934
Accounts payable and accrued liabilities	14,210	12,260
Accrued vacation pay	7,422	6,515
Deferred contributions (note 7)	15,534	10,522
	37,166	30,231
Deferred contributions - continuing care partnerships (note 4)	9,190	9,594
Unamortized external capital contributions	63,516	63,533
Net assets:		
Accumulated surplus (note 8)	6,092	5,634
Investment in capital assets from internally funded sources	10,215	10,741
	16,307	16,375
TOTAL LIABILITIES AND NET ASSETS	$126,179	$119,733

PALLISER HEALTH REGION
STATEMENT OF OPERATIONS
Year ended March 31, 2007
(thousands of dollars)

	2007 Budget	2007 Actual	2006 Actual
	(unaudited - note 10)		
Revenue:			
Alberta Health & Wellness contributions (note 11)	*$161,891*	$161,891	$149,488
Other government contributions (note 12)	*2,742*	2,742	3,768
Fees and charges	*15,426*	16,858	16,091
Ancillary operations, net (note 13)	*194*	229	266
Donations	*300*	321	295
Investment and other income (note 14)	*3,007*	4,765	3,150
Amortization of external capital contributions	*5,354*	5,467	5,505
	188,914	192,273	178,563
Expenses (schedule 1):			
Facility-based inpatient acute nursing services	*47,135*	47,933	44,876
Facility-based emergency and outpatient services	*10,886*	10,901	9,846
Facility-based continuing care services	*23,349*	23,517	22,481
Ground Ambulance Discovery Project	*4,397*	4,403	4,395
Community-based care	*6,349*	6,485	5,623
Home care	*8,414*	8,612	7,882
Diagnostic and therapeutic services	*33,845*	34,001	31,849
Promotion, prevention and protection services	*5,531*	5,541	5,236
Administration	*7,540*	8,042	7,301
Information technology	*5,929*	5,707	3,379
Support services	*33,404*	34,281	32,761
Amortization of facilities and improvements	*2,880*	2,918	2,828
	189,659	192,341	178,457
Excess (deficiency) of revenue over expenses	*($745)*	($68)	$106

PALLISER HEALTH REGION
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2007
(thousands of dollars)

	2007 Accumulated Surplus	2007 Investment in Capital Assets From Internally Funded Sources	2007 Total	2006 Total
	(Note 8)			
Excess (deficiency) of revenue over expenses	($68)		($68)	$106
Capital assets purchased with internal funds	(1,766)	1,766	0	0
Amortization on internally funded capital assets	2,292	(2,292)	0	0
Net change	458	(526)	(68)	106
Net assets, beginning of year	5,634	10,741	16,375	16,269
Net assets, end of year	$6,092	$10,215	$16,307	$16,375

PALLISER HEALTH REGION
STATEMENT OF CASH FLOWS
Year ended March 31, 2007
(thousands of dollars)

	2007 Budget	2007 Actual	2006 Actual
	(unaudited - note 10)		
Cash generated from (used by):			
Operating activities:			
Excess (deficiency) of revenue over expenses	($745)	($68)	$106
Non cash transactions:			
Amortization of capital equipment - internally funded	2,175	2,292	1,835
Amortization of capital equipment - externally funded	2,100	2,145	2,272
Amortization of facilities and improvements	2,880	2,947	2,857
Amortization of continuing care partnership project	404	404	405
Amortization of external capital contributions	(5,384)	(5,496)	(5,534)
Change in non-cash working capital		6,751	4,526
	1,430	8,975	6,467
Investing activities:			
Purchase of capital assets:			
Internally funded - equipment	(1,808)	(1,766)	(4,191)
Externally funded - equipment	(2,643)	(2,025)	(2,471)
Externally funded - facilities and improvements	(2,880)	(3,050)	(2,857)
Reduction (increase) in other assets		156	(478)
Purchase of investments		0	(630)
Proceeds on sale of investments	2,000	3,213	8,086
	(5,331)	(3,472)	(2,541)
Financing activities:			
Capital contributions received	5,523	5,075	5,328
Decrease in bank indebtedness	(934)	(934)	(3,797)
	4,589	4,141	1,531
Increase (decrease) in cash and short-term investments	688	9,644	5,457
Cash and short-term investments, beginning of year	12,001	11,067	5,610
Cash and short-term investments, end of year	$12,689	$20,711	$11,067

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007
(thousands of dollars)

1. Authority, Purpose and Operations

The Palliser Health Region ("Palliser") was established June 24, 1994 under the Regional Health Authorities Act, Chapter R-10, Revised Statutes of Alberta 2000. Palliser is exempt from the payment of income tax and is a registered charity under the Income Tax Act.

Palliser delivers appropriate, accessible and affordable health services in south-eastern Alberta ("the Region"), operating programs designed to promote, protect, maintain, restore and enhance physical and mental well-being.

Palliser's operations include the following facilities and sites:

Bassano Health Centre
Bow Island Health Centre and Alfred Egan Home
Bow Island Community Health Office
Brooks Health Centre
Brooks Home Care Office
Medicine Hat Regional Hospital
Medicine Hat Community Health Office - Dunmore Road
Medicine Hat Community Mental Health Office – Provincial Building
Oyen Big Country Hospital and Health Office

These financial statements do not include the assets, liabilities and operations of voluntary or private facilities providing health services in the Region, except as disclosed in Note 19.

2. Significant Accounting Policies and Reporting Practices

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness' Financial Directive 29. Following are the significant accounting policies:

a) Revenue Recognition

(i) Unrestricted Non-Capital Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the year receivable.

(ii) Restricted Non-Capital Contributions

Externally restricted non-capital contributions are recognized as revenue in the year when the related expenses are incurred.

2. Significant Accounting Policies and Reporting Practices (continued)

(iii) Restricted Contributions – Continuing Care Partnership Projects

Externally restricted contributions received for the construction of continuing care facilities in the Region operated by voluntary/private health service contract operators are recorded as Deferred Contributions – Continuing Care Partnership Project and are recognized as revenue in the periods in which the related amortization expense of the funded Non-current Advance – Continuing Care Partnership Project is recorded.

(iv) Restricted Capital Contributions

Externally restricted capital contributions are recorded as Deferred Contributions until the contribution is invested in capital assets. Amounts invested, representing externally funded capital assets, are then transferred to Unamortized External Capital Contributions.

Unamortized External Capital Contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Externally restricted capital contributions for the purchase of land are recorded as direct increases to Investment in Capital Assets.

Investment income subject to external restrictions is deferred and recognized as revenue in the year the related expenses are incurred.

(iv) Asset and Service Contributions

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

Volunteers contribute a significant amount of time each year to assist Palliser in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services of volunteers are not reported in these financial statements.

b) Services Contracted from Voluntary and Private Health Service Providers

Palliser accounts for all revenues and costs related to services carried out for which it is responsible.

Palliser contracts with voluntary and private providers to provide health services in the region. Where funding for such services is paid directly to the voluntary or private agency by Alberta Health and Wellness, the amount of such funding is reflected as Alberta Health and Wellness contributions and an equivalent amount is recorded as contracted health service expense of Palliser.

Revenue earned by contracted health service providers from Ministry of Health and Wellness designated fees and charges are recorded as fees and charges of Palliser. An equivalent amount is recorded as contracted health service expense of Palliser.

2. Significant Accounting Policies and Reporting Practices (continued)

c) Employee Future Benefits

Palliser participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for Palliser's participating employees, based on years of service and earnings. Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which Palliser has insufficient information to apply defined benefit plan accounting.

Pension costs comprise the employer's contributions for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plans. Palliser does not record its portion of the pension plan's deficit or surplus.

Palliser fully accrues its obligations for employee non-pension future benefits.

Palliser provides a non-contributory defined Supplemental Executive Retirement Plan (SERP) for certain senior executives. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a discount rate of 5.2%, expected long-term rate of return on plan assets of 2.6% and a rate of compensation increase of 3.5%. Net actuarial gains or losses of the benefit obligation are amortized over the average remaining service life of the group.

d) Investments

Non-current investments are recorded at cost unless there has been an other-than-temporary impairment in value. At that time, the value is reduced. Any discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains or losses realized on disposal are recognized in the period of disposal.

e) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, contributions from Alberta Health and Wellness, accounts payable and accrued liabilities, and accrued vacation pay approximates their fair value because of the short-term maturity of these items. It is management's opinion that Palliser is not exposed to significant interest, currency or credit risks arising from these financial instruments, except as disclosed in these financial statements.

f) Inventories

Inventories are valued at the lower of cost or net realizable value, with cost determined by the average cost method. In common with general industry practice, inventories are expensed when issued from central inventory locations to the end user departments.

g) Capital Assets

Capital assets and construction projects in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed.

2. Significant Accounting Policies and Reporting Practices (continued)

Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Buildings	40 years
Land improvements	20 years
Building service equipment	20 years
Equipment	5-20 years

Construction projects in progress are not amortized until the project is complete.

h) Measurement Uncertainty - Use of Estimates and Assumptions

The financial statements by their nature, contain estimates and are subject to measurement uncertainty. For example, amounts recorded for amortization of external capital contributions are based on estimates of the useful life of related assets. Actual results could differ from these estimates.

3. Cash, Investments and Bank Indebtedness

Palliser pools its cash and investment funds with Health Foundations and other associated third parties within the Region. The cash and investments are held in Palliser's name and consist of the following:

	2007	2006
Cash	$ 20,556	$ 9,720
Bonds	23,882	25,720
Bank indebtedness	-	(934)
Less Third Party funds	(5,726)	(3,688)
Less Health Foundations' funds	(5,417)	(4,888)
	$ 33,295	$ 25,930

Cash and investments are classified as follows:

	2007	2006
Cash and short-term investments	$ 20,711	$ 11,067
Non-current investments (unrestricted)	12,584	15,797
Bank indebtedness	-	(934)
	$ 33,295	$ 25,930

Cash has an effective yield related to prime interest rate. Bonds have effective yields of 4.72% to 7.39% (2006 – 4.64% to 7.39%).

Total pooled funds have a market value of $1,497 greater than book value (2006 - $1,629). Valuation of bonds has been obtained from independent brokerage firms.

Included in cash and short-term investments is $7,005 (2006 - $9,685) held in a capital bank account representing advances from Alberta Infrastructure for capital and renovation projects. These funds are not available for Palliser's general operations.

At the fiscal year end, the investments have the following maturity structure:

	2007	2006
1 to 5 years	36%	52%
6 to 10 years	57%	43%
11 to 15 years	7%	5%
	100%	100%

Palliser has arranged a line of credit facility of up to $5,000,000, secured by a general security agreement over all of its assets. The line of credit is payable on demand with interest calculated at prime interest rate less 0.25%.

4. Non-Current Advance – Continuing Care Partnerships

Funds received from Alberta Infrastructure and advanced for the construction of continuing care facilities in the Region, operated by voluntary/private health service contract operators, are recorded as a non-current advance.

Palliser uses the Forgivable Mortgage Model for reporting the contribution and advancement of funds. Under this model, Palliser finances the capital construction costs and extends an advance, which is secured by the facility and is forgivable for services rendered by the owner over the predicted life of the facility. The funding received is recorded as Deferred Contributions – Continuing Care Partnerships and each year a portion is included in revenue with an offsetting expense in accordance with the accounting policies for restricted contributions described in Note 2 (a) (iii). The portion included in revenue, representing the amount forgiven during the year, is $404 (2006 - $405).

During 2002, funding of $7.100 million was received from Alberta Infrastructure and advanced to the Good Samaritan Society for the construction of the 80 bed Southridge Village Project. During 2005, funding of $4.013 million was received from Alberta Infrastructure and advanced to Club Sierra Lifestyles at River Ridge Inc. for the construction of the 50 bed Club Sierra Project.

5. Other Assets

On November 2, 2005, Palliser initiated a fully funded Supplemental Executive Retirement Plan (SERP) for certain senior executives, as noted in 2 (c). At March 31, 2007, the fair value of plan assets is $770 (2006 - $719), the accrued benefit obligation is $448 (2006 - $241) and the net asset is $322 (2006 - $478).

6. Capital Assets

	Cost			
	Opening Balance Apr 1/06	Asset Additions	Asset Disposals	Closing Balance Mar 31/07
Land	$ 852	$ -	$ -	$ 852
Buildings	111,130	837	-	111,967
Land improvements	2,533	-	-	2,533
Building service equipment	15,906	1,378	-	17,284
Equipment	29,981	3,791	5,000	28,772
Construction in progress	3,726	835	-	4,561
	$ 164,128	$ 6,841	$ 5,000	$ 165,969

	Accumulated Amortization				Net Book Value
	Opening Balance Apr 1/06	Additions	Disposals	Closing Balance Mar 31/07	Closing Balance Mar 31/07
Land	$ -	$ -	$ -	$ -	$ 852
Buildings	61,442	2,612	-	64,054	47,913
Land improvements	2,515	4	-	2,519	14
Building service equip.	12,898	331	-	13,229	4,055
Equipment	12,999	4,437	5,000	12,436	16,336
Construction in progress	-	-	-	-	4,561
	$ 89,854	$ 7,384	$ 5,000	$ 92,238	$ 73,731

Capital assets have been funded from the following sources:

	2007	2006
Externally funded (Unamortized External Capital Contributions)	$ 63,516	$ 63,533
Internally funded (Investment in Capital Assets)	10,215	10,741
	$ 73,731	$ 74,274

7. Deferred Contributions

The balance at the end of year is restricted for the following purposes:

	2007	2006
Alberta Telestroke program	$ 51	$ -
Continuing care projects	798	-
Innovation in immunization	250	-
Mental health projects	1,159	607
Physician on call	835	620
Security of systems	-	219
Telehealth clinical funds	-	100
Diagnostic/medical equipment	1,459	-
EHR client registry transition	75	-
PCN – proportionate share of deferred contributions (Note 17)	1,500	-
Infrastructure Maintenance Program	2,125	294
CT Scanner - Brooks	1,650	-
Alberta Infrastructure – HSI	5,632	8,682
	$ 15,534	$ 10,522

8. Accumulated Surplus

Palliser's accumulated surplus comprises the following:

	2007	2006
Unrestricted net assets	$ -	$ -
Internally restricted net assets:		
Future capital equipment replacement	6,092	5,634
	$ 6,092	$ 5,634

9. Commitments and Contingencies

Palliser has entered into various multi-year commitments for the purchase of consumables, reagents and chemicals. Also, Palliser contracts on an ongoing basis with unions and health service operators to provide services to the Region. These commitments have contracts terms varying from one to eight years in length, are part of the ordinary course of operations and are contracted for in upcoming years on similar terms to those in effect for the current fiscal year.

In the normal course of operations, various claims and lawsuits are brought against Palliser. Palliser has determined that there will be no material adverse effect on its financial position from these claims.

10. Budget (unaudited)

	Approved Budget (a)	Adjustments (b)	Reported Budget
Revenue:			
Alberta Health & Wellness contributions	$162,714	($823)	$161,891
Other government contributions	2,629	113	2,742
Fees and charges	15,426		15,426
Net ancillary operations	194		194
Donations	300		300
Investment and other income	3,007		3,007
Amortization of external capital contributions	5,354		5,354
	189,624	(710)	188,914
Expenses:			
Facility-based inpatient acute nursing services	47,117	18	47,135
Facility-based emergency and outpatient servic	10,886		10,886
Facility-based continuing care services	23,068	281	23,349
Ground Ambulance Discovery Project	4,397		4,397
Community-based care	6,419	(70)	6,349
Home care	8,414		8,414
Diagnostic and therapeutic services	33,845		33,845
Promotion, prevention and protection services	5,237	294	5,531
Administration	7,540		7,540
Information technology	5,710	219	5,929
Support services	34,856	(1,452)	33,404
Amortization of facilities and improvements	2,880		2,880
	190,369	(710)	189,659
Deficiency of revenue over expenses	($745)	$0	($745)

(a) **Approved Budget** - The budget was approved by the Palliser Health Region Board in May 2006 and submitted to the Minister for Health and Wellness for approval.

(b) **Adjustments** - Over the course of the fiscal year, the Minister provided additional funding. Palliser has allocated these adjustments to address funding expectations and there were also adjustments to exsisting funding based on program expenditures.

11. Alberta Health and Wellness Contributions

	2007	2006
Unrestricted contributions	$ 152,228	$ 140,145
Transfers from deferred contributions	9,471	9,145
Legacy Mortgage Assistance Program for nursing home upgrades	192	198
	$ 161,891	$ 149,488

12. Other Government Contributions

	2007	2006
Persons with Developmental Disabilities - Alfred Egan Home	$ 2,742	$ 2,767
Alberta Infrastructure – Infrastructure Maintenance Program	-	1,001
	$ 2,742	$ 3,768

13. Ancillary Operations

	Non-patient Food Services	Parking Operations	2007 Total	2006 Total
Revenue:				
Operating revenue	$ 763	$ 289	$ 1,052	$ 1,145
Amortized external capital contributions		29	29	29
Direct Expenses:				
Other expenses	(763)	(60)	(823)	(866)
Amortization	-	(29)	(29)	(42)
Excess (deficiency) of revenue over expenses	$ -	$ 229	$ 229	$ 266

Ancillary operations consist of the sale of goods and services that are not related to the direct provision of health services.

Non-patient food services are intended to operate on a break even basis. The other expenses for these non-patient food operations are estimated to be equal to the revenue earned.

14. Investment and Other Income

	2007	2006
Investment income	$ 1,623	$ 1,522
Other income	3,142	1,628
	$ 4,765	$ 3,150

Investment income comprises interest, amortization of discounts (premiums) and net gains on disposal of investments.

Other income comprises Student Health Initiative Program (SHIP), WCB compensation, rental income and miscellaneous recoveries.

15. Related Party – Province of Alberta and Other Health Authorities

The Minister of Health and Wellness appoints Palliser's Board Members. Palliser is economically dependent upon the Ministry of Health and Wellness since the viability of its on-going operations depends on contributions from the Ministry. Transactions between Palliser and the Province are disclosed in the Statement of Operations and in notes to the financial statements.

Palliser shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between Palliser and other health authorities are reported in the appropriate expense classification in the Statement of Operations.

16. Related Parties – Regional Shared Health Information Program (RSHIP)

The seven non-metro health regions (Palliser Health Region, Chinook Health Region, David Thompson Health Region, East Central Health, Aspen Health Region, Peace Country Health, Northern Lights Health Region) have entered into an agreement under the name Regional Shared Health Information Program (RSHIP), to develop and implement a common, integrated health information system. The standard system will integrate with Alberta's Provincial Electronic Health Record (EHR) initiative.

	2007	2006
Alberta Health and Wellness funding	$ 1,048	$ 884
Palliser contribution	519	528
	$ 1,567	$ 1,412
Reported as follows:		
Expenses	$ 625	$ 645
Capital assets	942	767
	$ 1,567	$ 1,412

17. Related Parties – Primary Care Network

During 2007, there was one Primary Care Network (PCN) which commenced operation within Palliser. Palliser's share of the PCN is included in the financial statements under the proportionate consolidation method, as follows:

	2007	2006
Opening balance	$ -	$ -
Contributions from Alberta Health and Wellness	1,500	-
Amounts recognized as revenue	-	-
Amounts deferred	$ 1,500	$ -

18. Related Parties - Community Health Foundations

Palliser formed five Foundations in 1996 and has the ability to appoint two of Palliser's Board Members to each Foundation board.

The Foundations were incorporated under the Regional Health Authorities Act and are registered charities under the Income Tax Act. The Foundations primary activities are to raise funds for the improvement of health care services within their respective communities.

The Foundations are not consolidated in the financial statements of Palliser.

Palliser provides certain fundraising, financial services and administrative support to the Foundations. Because of the difficulty in determining its fair value, this assistance is not reported in the financial statements.

Resources held by the Foundations at the end of the year, representing funds which must be used for specific communities, are as follows:

	Unrestricted	Externally Restricted	2007 Total	2006 Total
Bassano & District Health Foundation	$ 11	$ 14	$ 25	$ 22
Bow Island & District Health Foundation	43	89	132	121
Brooks & District Health Foundation	185	412	597	423
Medicine Hat & District Health Foundation	3,369	1,078	4,447	4,254
Oyen & District Health Care Foundation	218	5	223	110
	$ 3,826	$1,598	$ 5,424	$ 4,930

Contributions received by Palliser during the year, representing the purchase cost of capital and non-capital items selected by the Foundations, are as follows:

	2007	2006
Bassano & District Health Foundation	$ 16	$ 18
Bow Island & District Health Foundation	62	32
Brooks & District Health Foundation	202	66
Medicine Hat & District Health Foundation	586	453
Oyen & District Health Care Foundation	7	64
	$ 873	$ 633

19. Related Parties - Private Health Service Providers

Palliser has an economic interest through its contracts with private health service providers. Transactions between Palliser and health service providers are conducted on normal commercial terms and are presented as follows:

	2007	2006
Palliser funding	$ 25,465	$ 22,728
Alberta Health & Wellness funding	192	198
Fees and charges	6,650	6,650
	$ 32,307	$ 29,576

20. Pension Costs

Palliser participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equal to Palliser's annual contributions payable of $5,391 for the year ended March 31, 2007 (2006 - $4,729).

At December 31, 2006, the Local Authorities Pension Plan reported an actuarial deficiency of $0.747 billion (December 31, 2005 - actuarial deficiency of $0.864 billion).

21. Comparative Figures

Certain 2006 figures have been reclassified and restated to conform to the 2007 presentation.

22. Approval of Financial Statements

These financial statements have been approved by the Palliser Health Region Board.

	Budget	2007 Actual	2006 Actual
	(unaudited - note 10)		
Salaries and benefits (schedule 2)	*$110,086*	$111,530	$104,165
Contracts with health service providers (note 18)	*32,380*	32,307	29,576
Drugs and gases	*3,889*	4,075	3,750
Medical and surgical supplies	*4,493*	4,458	4,333
Other contracted services	*12,008*	13,649	12,235
Other expenses - utilities	*2,976*	3,479	2,870
Other expenses - miscellaneous	*17,168*	15,907	15,067
Amortization:			
Capital equipment - internally funded	*2,175*	2,292	1,835
Capital equipment - externally funded	*2,100*	2,145	2,272
Facilities and improvements	*2,880*	2,947	2,857
Continuing care partnership project	*404*	404	405
Less amounts reported in ancillary operations (note 13)	*(900)*	(852)	(908)
	$189,659	$192,341	$178,457

PALLISER HEALTH REGION **Schedule 2(a)**

SCHEDULE OF SALARIES AND BENEFITS

Year ended March 31, 2007

(thousands of dollars)

	2007						2006				
	FTE	Salaries and Honoraria	Benefits and Allowances	Supp Retirement Plan	Sever-ance	Total	FTE	Salaries, Benefits & Allowances	Supp Retirement Plan	Sever-ance	Total
	(a)	(b)	(c)	(d)	(e)		(a)	(b) (c)	(d)	(e)	
Board Members Compensation:											
Carol Secondiak (Chair)		$36				$36		$41			$41
Howard Barker		11				11		8			8
Jim Black		5				5		7			7
Hugh English		5				5		10			10
Jim Kirwan		9				9		6			6
Albert McFadyen		13				13		12			12
Leva Olstad		9				9		11			11
Lynne Sangster		8				8		11			11
Ken Sauer		6				6		6			6
Martin Shields		12				12		14			14
Rod Sommerfeld		10				10		12			12
Harold Storhen		7				7		5			5
Craig Widmer		8				8		5			5
		$139				$139		$148			$148
Staff:											
President - Chief Executive Officer	1.0	242	24	114		380	1.0	241	88		329
Senior Vice President - Health Services	1.0	185	22	27		234	1.0	191	22		213
Vice President - Community Health	1.0	138	20			158	1.0	146			146
Vice President - Planning & Corporate Services	1.0	134	22			156	1.0	146			146
Vice President - Corporate Services (note f)	0.2	26	4	62		92	1.0	161	19		180
Chief Financial Officer (note f)	0.8	141	4			145					0
Vice President - Medical Services	0.8	250				250	0.8	244			244
Other Management reporting to those above	28	2,598	467			3,065	26	2,888			2,888
Other Management	37	3,231	581			3,812	38	3,790			3,790
Regulated Nurses											
RNs, RPNs, Grad Nurses	453	32,425	5,828			38,253	395	35,635			35,635
LPNs	130	5,978	1,075			7,053	118	6,166			6,166
Other Health Technical & Professionals	295	19,317	3,472		51	22,840	276	21,248			21,248
Unregulated Health Service Providers	151	5,256	945			6,201	144	5,522			5,522
Other Staff	575	24,372	4,380			28,752	554	27,510			27,510
	1673	$94,432	$16,844	$203	$51	$111,530	1557	$104,036	$129	$0	$104,165

The accompanying notes (a) to (f) are part of this Schedule

PALLISER HEALTH REGION **Schedule 2(b)**

SCHEDULE OF SALARIES AND BENEFITS - NOTES

Year ended March 31, 2007

(thousands of dollars)

(a) FTE

The full time equivalent (FTE) has been determined based on the number of hours worked in a standard work year, which is generally 1,914 for registered nurses and 2,023 hours for other occupation groups.

The total actual discrete number of individuals employed during the year was 3,078 (2006 - 2,649). "Discrete" number of individuals refers to all employees who were employed during the fiscal year.

(b) Salaries and Honoraria

Salaries and honoraria include regular base pay, overtime, lump sum payments, shift differential, honoraria paid, sick leave, earned vacation leave and other remuneration.

(c) Benefits and Allowances

Benefits and allowances represent employer contributions or payments made on behalf of employees including:

- Employment insurance, Canada pension plan and Provincial pension plan
- Workers compensation, Health & dental and Long & short term disability plans
- Group life insurance and Accidental death & dismemberment plans

(d) Supplemental Executive Retirement Plans (SERPs)

SERPs refer to future supplemental retirement payments to executive officers. Costs reflect the estimated costs to provide annual pension income over an actuarially determined employment period.

The annual benefit for each executive is as follows:

	Current Service Costs	Prior Service & Other costs	2007 Total	2006 Total
President - Chief Executive Officer	30	84	114	88
Senior Vice President - Health Services	9	18	27	22
Vice President - Corporate Services	6	56	62	19
	45	158	203	129

The accrued SERP obligation for each executive is as follows:

	Accrued Obligation Mar 31, 2006	Changes in accrued obligation	Accrued Obligation Mar 31, 2007
President - Chief Executive Officer	426	116	542
Senior Vice President - Health Services	108	82	190
Vice President - Community Health	0	32	32
Vice President - Planning & Corporate Services	0	15	15
Vice President - Corporate Services	92	5	97
	626	250	876
Less Unrecognized actuarial losses and initial obligations	(385)	(431)	(4281)
	241	207	445

(e) Severance

Severance includes amounts paid directly or indirectly to individuals upon termination, which are not included in salaries, honoraria, benefits and allowances. The severance recorded during the year represents payment to 1 employee (2006 - 0).

(f) Retirement

The Vice President Corporate Services retired during the year. The position of Chief Financial Officer was created upon his retirement.

Calgary Health Region

Consolidated Financial Statements

March 31, 2007

CALGARY HEALTH REGION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

Management's Responsibility for Financial Reporting

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Schedule 1 - Consolidated Schedule of Expenses by Object

Schedule 2 - Consolidated Schedule of Salaries and Benefits

CALGARY HEALTH REGION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2007

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Region. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts that are based on estimates and judgments.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system provides management with reasonable assurance that transactions are in accordance with governing legislation and are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded. The system of internal controls is further supported by an internal audit staff which conducts periodic audits of all aspects of our operations.

The Region members carry out their responsibility for the consolidated financial statements through the Governance and Audit Committee. This Committee meets with management and the Auditor General of Alberta to review financial matters, and recommends the consolidated financial statements to the Calgary Health Region Board for approval. The Auditor General of Alberta has free access to the Governance and Audit Committee.

The Auditor General of Alberta provides an independent audit of the consolidated financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and procedures which allow him to report on the fairness of the consolidated financial statements prepared by management.

Jack Davis
President and Chief Executive Officer

Kay Best, FCA
Executive Vice President, Risk Management and Chief Financial Officer

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Members of the Calgary Health Region

I have audited the consolidated statement of financial position of the Calgary Health Region as at March 31, 2007 and the consolidated statement of operations, changes in net assets and cash flows for the year then ended. The financial statements are the responsibility of the management of the Region. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Region as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
May 16, 2007

CALGARY HEALTH REGION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2007
(thousands of dollars)

	2007 Actual	2006 Actual (Restated) (Note 24)
ASSETS		
Current:		
Cash and investments (Note 3)	$ 56,751	$ 29,314
Accounts receivable	48,946	44,938
Contributions receivable from Alberta Health and Wellness	52,103	63,205
Inventories	37,823	24,252
Prepaid expenses	4,337	3,384
	199,960	165,093
Non-current cash and investments (Note 3)	669,191	436,170
Capital contributions receivable	126,374	136,487
Capital assets (Note 4)	1,510,330	1,150,236
Other assets (Note 5)	29,295	11,504
TOTAL ASSETS	$ 2,535,150	$ 1,899,490
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 218,543	$ 188,013
Accrued vacation pay	98,078	82,787
Current portion of deferred contributions (Note 6)	93,113	87,308
Current portion of long-term debt (Note 8)	9,032	1,108
	418,766	359,216
Deferred contributions (Note 6)	34,193	31,595
Deferred capital contributions (Note 7)	534,529	329,673
Long-term debt (Note 8)	149,751	62,522
Long-term employee benefit liabilities (Note 9)	6,100	4,531
Unamortized external capital contributions	1,238,818	963,703
	2,382,157	1,751,240
Net Assets:		
Accumulated surplus (deficit) (Note 23)	(10,059)	11,473
Investment in capital assets	163,052	136,777
	152,993	148,250
Commitments and contingencies (Notes 10 and 18)		
TOTAL LIABILITIES AND NET ASSETS	$ 2,535,150	$ 1,899,490

The accompanying notes and schedules are part of these consolidated financial statements.

CALGARY HEALTH REGION

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007 Budget (Note 11)	2007 Actual	2006 Actual
Revenue			
Alberta Health and Wellness contributions (Note 12)	$ 2,177,313	$ 2,187,700	$ 1,997,855
Other government contributions (Note 13)	25,581	30,268	24,403
Fees and charges (Note 14)	154,789	158,271	143,885
Ancillary operations, net (Note 15)	9,444	7,356	8,129
Donations	7,099	7,398	6,898
Investment and other income (Note 16)	94,743	113,354	84,270
Amortization of external capital contributions	73,194	69,502	64,185
TOTAL REVENUE	2,542,163	2,574,049	2,329,625
Expenses (Schedule 1)			
Facility-based inpatient acute nursing services	737,994	723,273	665,354
Facility-based emergency and outpatient services	336,008	337,006	298,864
Facility-based continuing care services	175,877	186,112	165,972
Community-based care	101,162	96,745	85,485
Home care	108,570	104,380	99,103
Diagnostic and therapeutic services	479,962	470,037	445,564
Promotion, prevention and protection services	63,451	63,007	56,388
Research and education (Note 17)	37,736	37,567	30,782
Administration	86,139	90,769	67,504
Information technology	59,536	68,837	50,114
Support services	351,767	365,212	324,454
Amortization of facilities and improvements	35,856	36,674	32,413
TOTAL EXPENSES	2,574,058	2,579,619	2,321,997
Excess (deficiency) of revenue over expenses	$ (31,895)	$ (5,570)	$ 7,628

The accompanying notes and schedules are part of these consolidated financial statements.

CALGARY HEALTH REGION

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2007

(thousands of dollars)

	2007			2006
	Accumulated Surplus (Deficit)	Investment in Capital Assets	Total	Total (Restated) (Note 24)
Balance, beginning of year	$ 11,473	$ 136,777	$ 148,250	$ 136,230
Excess (deficiency) of revenue over expenses	(5,570)	-	(5,570)	7,628
Capital assets purchased with internal funds	(34,764)	34,764	-	-
Purchase of land	-	-	-	4,392
Disposal of land	-	(494)	(494)	-
Transfer of land (Note 4 (a)(ii))	-	10,807	10,807	-
Amortization of internally funded capital assets	22,414	(22,414)	-	-
Repayment of long-term debt used to fund capital assets	(3,612)	3,612	-	-
Balance, end of year	$ (10,059)	$ 163,052	$ 152,993	$ 148,250

The accompanying notes and schedules are part of these consolidated financial statements.

CALGARY HEALTH REGION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

(thousands of dollars)

	2007		2006
	Budget	Actual	Actual
Operating activities:			
Excess (deficiency) of revenue over expenses	$ (31,895)	$ (5,570)	$ 7,628
Non-cash transactions:			
Amortization (Schedule 1)	95,220	92,265	88,426
Amortization of external capital contributions	(73,194)	(69,851)	(64,185)
Other	2,205	4,312	2,190
	(7,664)	21,156	34,059
Changes in non-cash working capital	41,844	31,661	40,957
Cash generated from operations	34,180	52,817	75,016
Investing activities:			
Purchase of capital assets:			
Internally funded - equipment	(56,548)	(25,336)	(19,244)
Internally funded - facilities and improvements	(17,225)	(9,428)	(4,596)
Externally funded - equipment	(122,181)	(109,376)	(66,089)
Externally funded - facilities and improvements	(376,205)	(232,090)	(163,170)
Externally funded - land	-	-	(4,392)
Debt funded - facilities and improvements	(51,223)	(44,444)	(41,401)
Purchase of CLS, net of cash (Note 22)	(31,232)	(32,865)	-
Proceeds from disposal of land	-	5,003	-
Principal payment on lease receivable	-	-	114
Net change in non-current cash and investments	136,917	(233,021)	(45,209)
Changes in non-cash working capital	-	9,892	(5,977)
Cash used by investing activities	(517,697)	(671,665)	(349,964)
Financing activities:			
Capital contributions received	395,553	554,932	211,880
Principal payments on long-term debt	(3,678)	(3,420)	(225)
Proceeds from long-term debt	93,181	94,773	46,920
Cash generated from financing activities	485,056	646,285	258,575
Increase (decrease) in current cash and investments	$ 1,539	27,437	(16,373)
Current cash and investments, beginning of year		29,314	45,687
Current cash and investments, end of year		$ 56,751	$ 29,314

Significant non-cash transactions (Notes 4(a)(ii) and 4(b))

The accompanying notes and schedules are part of these consolidated financial statements.

CALGARY HEALTH REGION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

Note 1 Authority, Purpose and Operations

The Calgary Regional Health Authority was established June 24, 1994 under the authority of the Regional Health Authorities Act, Chapter R-10, Revised Statutes of Alberta, 2000 and subsequently adopted the name Calgary Health Region (the "Region"). The Region is exempt from payment of income tax and is a registered charity under the Income Tax Act.

The Region's mandate is to deliver appropriate, accessible and affordable health services in Alberta. This responsibility includes operating programs designed to promote, protect, maintain, restore and enhance physical and mental well-being.

Operations of the Region include the following facilities and sites:

Calgary acute care facilities:
- Alberta Children's Hospital
- Foothills Medical Centre
- Peter Lougheed Centre
- Rockyview General Hospital

Calgary continuing care facilities:
- Colonel Belcher
- Dr. Vernon Fanning Centre
- George Boyack
- Glenmore Park
- Nickle House
- Royal Park
- Signal Pointe
- Sarcee

Rural acute and continuing care facilities:
- Canmore General Hospital
- Claresholm General Hospital
- Didsbury District Health Services
- High River General Hospital
- Little Bow Continuing Care Centre (in Carmangay)
- Oilfields General Hospital (in Black Diamond)
- Strathmore District Health Services
- Vulcan Community Health Centre
- Willow Creek Continuing Care Centre (in Claresholm)

Psychiatric rehabilitation facility:
- Claresholm Care Centre

Other:
- Community health centres and public health units throughout the region.
- Mental health clinics throughout the region.
- Provincial Laboratory for Southern Alberta located at the Foothills Medical Centre.
- The Diagnostic and Scientific Centre and various patient service centres operating as Calgary Laboratory Services within Calgary.
- Numerous hemodialysis satellites sites outside the region.

These consolidated financial statements do not include the assets, liabilities and operations of any voluntary or private facilities providing health care services in the region.

Note 2 Significant Accounting Policies and Reporting Practices

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the reporting requirements of Financial Directive 29 issued by Alberta Health and Wellness. Following are the significant accounting policies:

(a) Basis of Presentation

(1) The financial statements have been prepared on a consolidated basis, except that controlled foundations are not consolidated (Note 19(d)(i)).

Included in these consolidated financial statements are the following wholly owned subsidiaries:

(i) Carewest - The Region contracts with Carewest to provide health services in the region.

(ii) 703590 Alberta Inc. which operates as Calgary Laboratory Services ("CLS"). The Region contracts with CLS to provide health services in the region.

(iii) 1115399 Alberta Inc. which operates as Chemical Exposure Support Services.

(iv) 1063616 Alberta Ltd. and 1099254 Alberta Ltd. have been amalgamated into the Region, effective March 31, 2007.

The transactions between the Region and these subsidiaries have been eliminated on consolidation.

The Region uses the proportionate consolidation method to account for its 50% interest in each of the following Primary Care Networks:

South Calgary Primary Care Network
Calgary Rural Primary Care Network
Calgary Foothills Primary Care Network
Calgary West Central Primary Care Network

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(2) These consolidated financial statements were prepared using the deferral method, the key elements of which are:

(i) Unrestricted operating grants and other contributions are recognized as revenue in the year they become receivable.
(ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year the related expenses are incurred.
(iii) Externally restricted capital contributions are recorded as deferred capital contributions until expended on capital assets. Amounts expended, representing externally funded capital assets, are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the period the related amortization expense of the funded capital asset is recorded.
(iv) Externally restricted contributions to purchase capital assets which will not be amortized are recorded as direct increases to net assets.
(v) Unrestricted investment income is recognized in the year earned.
(vi) Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as a direct increase to net assets, or deferred and recognized as revenue in the year the related expenses are incurred.
(vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(b) Full Cost

The Region records the fair value of costs of services for which it is responsible. Fair value transactions comprise the following:

(1) Revenue earned by contracted health service operators from Ministry of Health and Wellness designated fees and charges is recorded as the Region's fees and charges. An equivalent amount is recorded as program expenses as this revenue funds part of the cost of the Region's programs.
(2) Alberta Health and Wellness payments directly to contracted health service operators are recorded as revenue and an equivalent amount is recorded as program expenses as these payments represent part of the cost of the Region's programs.
(3) Fair value for use of acute care facilities not owned by the Region is recorded as revenue from other government contributions and as program expenses, as contract payments from the Region do not include an amount for the use of these facilities.
(4) Fair value for use of non-acute care facilities not owned by the Region and provided to the Region at zero or nominal rent is recorded as other government contributions and as program expenses.
(5) Other assets, supplies and service contributions that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. The value of volunteers' contributed services is not reported because fair value cannot be reasonably determined.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Employee Future Benefits

The Region participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees, based on years of service and earnings. Defined contribution plan accounting has been applied because the Region has insufficient information to apply defined benefit plan accounting. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Region does not record its portion of the pension plan's deficit or surplus.

The Region provides a non-contributory defined benefit Supplemental Executive Retirement Plan (SERP) to senior executives of the Region. The cost of these benefits is actuarially determined on an annual basis as at March 31 using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains or losses of the benefit obligation are amortized over the average remaining service life of the employee group.

The Region also provides defined contribution pension plans for two employee groups.

(d) Investments

Non-current investments are recorded at cost unless there was an other-than-temporary impairment in value. At that time, the value is reduced. Discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains or losses on disposal are recognized in the period of disposal.

(e) Financial Instruments

The carrying values of current cash and investments, accounts receivable, contributions receivable from Alberta Health and Wellness, capital contributions receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their fair value because of the short-term maturity of these items.

(f) Inventories

Inventories are valued at the lower of cost (defined as moving average) or net realizable value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets

Capital assets and work in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed. Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Land improvements	5 - 40 years
Buildings and improvements	10 - 40 years
Building service equipment	10 - 40 years
Leased buildings and improvements	term of lease
Equipment	3 - 20 years
Information technology	3 - 7 years
Leased equipment	term of lease

Work in progress includes construction in progress and information technology projects. Work in progress is not amortized until the project is complete.

Land and facilities transferred from Alberta Infrastructure are reported at the net book value recorded by Alberta Infrastructure at the time of the transfer.

Leases transferring substantially all of the benefits and risks of ownership of capital assets are reported as acquisitions of capital assets funded by long-term obligations.

(h) Goodwill and Intangible Assets

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment on the carrying value. Intangible assets with definite lives are amortized on a straight-line basis over their remaining life.

(i) Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets. Asset retirement obligations are recorded when they are incurred if a reasonable estimate of fair value can be determined. Accretion (interest) expense is the increase in the obligation due to the passage of time. The associated retirement costs are capitalized as part of the carrying amount of the asset and amortized over the asset's remaining useful life.

(j) Measurement Uncertainty

The consolidated financial statements by their nature, contain estimates and are subject to measurement uncertainty. The amounts recorded for amortization of capital assets and amortization of external capital contributions are based on the estimated useful life of the related assets. The amount recorded for asset retirement obligations is based on estimated future cash flows. Actual results could differ from these estimates.

Note 3 Cash and Investments

	2007		2006	
	Fair Market Value	Cost	Fair Market Value	Cost
	(thousands of dollars)			
Cash	$466,164	$466,164	$249,112	$249,112
Money market[a]	50,847	50,646	23,905	23,854
Fixed income[b]	154,618	152,924	133,820	131,006
Equities[c]	81,787	56,208	90,438	61,512
	$753,416	$725,942	$497,275	$465,484
Current	$ 58,406	$ 56,751	$ 29,652	$ 29,314
Non-current	695,010	669,191	467,623	436,170
	$753,416	$725,942	$497,275	$465,484

Income and financial returns on cash and investments are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn optimal financial returns at an acceptable level of risk, management has established policy asset mix ranges of 0% to 80% for fixed income instruments and 0% to 50% for equities. Non-Canadian equities are further limited to a range between 0% to 10% of the total portfolio. Risk is reduced through asset class diversification and quality constraints on fixed-income and equity instruments.

(a) Money market investments include: T-bills, commercial paper and discount notes that mature between 3 to 81 days and bear interest at an average effective yield of 4.24% per annum. Such financial instruments are limited to a rating of R-1 or A-1, or higher.

(b) Publicly traded fixed-income instruments are managed with the objective of providing optimal returns while maintaining maximum security of capital. Return is optimized within risk constraints on the portfolio by management of portfolio duration and issuer mix. Fixed-income securities are invested in bonds with a rating of A low or higher.

The bonds have an effective yield of 4.67% per annum and have the following maturity structure as at March 31, 2007:

1 – 5 years	44.4%
6 – 10 years	38.9%
Over 10 years	16.7%

Note 3 Cash and Investments (continued)

(c) Equities are comprised of publicly traded securities in major stock markets.

Non-current cash and investments represent the following:

	2007	2006
	(thousands of dollars)	
Deferred capital contributions (Note 7)	$ 534,529	$ 329,673
Capital contributions receivable	(126,374)	(136,487)
Externally restricted for long-term care partnerships (Note 18)	31,075	28,333
Proceeds from long-term debt not yet spent	14,148	5,519
Cash and investments not required for current purposes	215,813	209,132
	$ 669,191	$ 436,170

Note 4 Capital Assets

	Cost				
	Balance April 1, 2006	Transfers	Additions	Disposals	Balance March 31, 2007
	(thousands of dollars)				
Buildings and improvements	$ 860,919	$ 311,312	$ -	$ -	$ 1,172,231
Equipment and information technology	458,843	7,570	57,394	(17,776)	506,031
Work in progress	362,306	(353,953)	384,027		392,380
Leased buildings and improvements	65,421	33,869	-	(164)	99,126
Building service equipment	59,068	1,402	-	-	60,470
Land [a]	38,760	80	10,807	(494)	49,153
Land improvements	8,734	(280)	-	-	8,454
Leased equipment	964	-	555	-	1,519
	$ 1,855,015	$ -	$ 452,783	$ (18,434)	$ 2,289,364

	Accumulated Amortization			
	Balance April 1, 2006	Amortization	Disposals	Balance March 31, 2007
	(thousands of dollars)			
Buildings and improvements	$ 405,486	$ 29,153	$ -	$ 434,639
Equipment and information technology	264,239	49,772	(16,118)	297,893
Leased buildings and improvements	8,849	8,006	(164)	16,691
Building service equipment	21,256	2,950	-	24,206
Land improvements	4,473	243	-	4,716
Leased equipment	476	413	-	889
	$ 704,779	$ 90,537	$ (16,282)	$ 779,034

	2007	2006
	Net Book Value	Net Book Value
	(thousands of dollars)	
Buildings and improvements	$ 737,592	$ 455,433
Equipment and information technology	208,138	194,604
Work in progress	392,380	362,306
Leased buildings and improvements	82,435	56,572
Building service equipment	36,264	37,812
Land [a]	49,153	38,760
Land improvements	3,738	4,261
Leased equipment	630	488
	$ 1,510,330	$ 1,150,236

Note 4 Capital Assets (continued)

(a) Land

(i) Land at the following sites has been provided to the Region at nominal values:

Site	Provided by	Lease Expiry
Alberta Children's Hospital	University of Calgary	December 21, 2101
Foothills Medical Centre parkade	University of Calgary	July 30, 2054
Southern Alberta Forensic Psychiatry Centre	Province of Alberta	September 30, 2014
Banff Health Unit	Mineral Springs Hospital	January 30, 2028

(ii) During the year, the Province of Alberta transferred land valued at $10,807,000 to the Region.

(b) Asset Retirement Obligations

The Region has recorded a liability for an asset retirement obligation of $3,500,000 (2006 - $ nil). The asset retirement obligation represents the legal obligations associated with the removal of asbestos during planned renovations at the Foothills Medical Centre. The Region has also identified other asset retirement obligations for which the fair value cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligation for these assets will be recorded in the period in which there is sufficient information to estimate fair value.

(c) Funding

Capital assets have been funded from the following sources:

	2007	2006 (Restated) (Note 24)
	(thousands of dollars)	
Externally funded (unamortized external capital contributions)	$ 1,238,818	$ 963,703
Internally funded (investment in capital assets)	163,052	136,777
Funded by debt	108,460	49,756
	$ 1,510,330	$ 1,150,236

Note 5 Other Assets

	2007	2006
	(thousands of dollars)	
Goodwill (Note 22)	$ 25,804	$ -
Intangible asset – premise leases (net of amortization of $70 (2006 - $ nil))	373	-
Forgivable mortgage receivable – non-current portion	3,118	3,263
Lease receivable – non-current portion	-	8,241
	$ 29,295	$ 11,504

Note 6 Deferred Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
	(thousands of dollars)	
Current:		
Inpatient acute nursing services	$ 21,365	$ 20,503
Emergency and outpatient services	14,924	19,868
Continuing care services	9,711	5,131
Community-based care	9,157	5,627
Diagnostic and therapeutic services	4,697	2,698
Promotion, prevention and protection services	9,480	7,644
Research and education	10,572	3,612
Information technology	3,374	15,454
Support services	4,946	5,302
Other	4,887	1,469
	93,113	87,308
Non current:		
Alzheimer/dementia facility	3,118	3,262
Long-term care partnership (Note 18)	31,075	28,333
	34,193	31,595
	$ 127,306	$ 118,903

Note 7 Deferred Capital Contributions

Balance at the end of the year is restricted for the following purposes:

	2007	2006
	(thousands of dollars)	
Equipment	$ 37,516	$ 18,525
Construction	446,411	255,672
Information technology	50,602	55,476
	$ 534,529	$ 329,673

Note 8 Long-term Debt

	Maturity Date	Interest Rate	Amount Outstanding 2007	Amount Outstanding 2006
			(thousands of dollars)	
Debentures payable: [a]				
Parkade loan #1	Sep 2026	4.4025%	$ 54,425	$ 46,920
Parkade loan #2	Sep 2027	4.3870%	44,692	-
Calgary Laboratory Services purchase	May 2013	4.6810%	39,430	-
			138,547	46,920
Obligation under capital leases:				
Building [b]	Feb 2028	6.5000%	16,358	16,710
Laboratory equipment	Aug 2007 to Oct 2009	6.2200% to 9.0858%	378	-
			16,736	16,710
Asset retirement obligations			3,500	-
			$ 158,783	$ 63,630
Current			$ 9,032	$ 1,108
Non-current			149,751	62,522
			$ 158,783	$ 63,630

(a) The Region issued debentures to Alberta Capital Financing Authority (a Province of Alberta related party) to finance the construction of parkades and the purchase of the remaining 50.01% ownership interest in CLS (Note 22). These debentures are secured against revenues derived directly or indirectly from the operations of all parking facilities being built, renovated, owned and operated by the Region.

Parkade loan #1 financed parkades at Foothills Medical Centre and Alberta Children's Hospital.

Note 8 Long-term Debt (continued)

Parkade loan #2 financed parkades at Rockyview General Hospital, Peter Lougheed Centre and Sheldon M. Chumir Centre. As at March 31, 2007, $44,692,000 of $48,000,000 has been advanced to the Region. Semi-annual principal and interest payments will commence March 2008.

The estimated fair value of debentures payable as at March 31, 2007 is $138,103,000.

(b) The Region leases a building from the University of Calgary. The related lease obligation has an estimated fair value as at March 31, 2007 of $19,557,000.

The Region is committed to making payments as follows:

Year ended March 31	Debentures Principal Payments	Capital Lease Minimum Lease Payments
	(thousands of dollars)	
2008	$ 7,895	$ 1,617
2009	9,040	1,490
2010	9,457	1,391
2011	9,895	1,384
2012	10,352	1,384
Thereafter	95,216	24,173
	141,855	31,439
Less: interest	-	(14,703)
	$ 141,855	$ 16,736

Note 9 Long-term Employee Benefit Liabilities

(a) Supplemental Executive Retirement Plan

	2007	2006
	(thousands of dollars)	
Net accrued benefit obligation, beginning of year	$ 8,288	$ 6,274
Current service cost	1,087	902
Interest cost	535	416
Prior service cost	39	110
Actuarial loss	1,974	1,139
Employer payments	(526)	(553)
Net accrued benefit obligation, end of year	$ 11,397	$ 8,288
Net accrued benefit obligation	$ 11,397	$ 8,288
Unrecognized actuarial loss	(4,516)	(2,859)
Unrecognized prior service costs	(781)	(898)
Reported liability	$ 6,100	$ 4,531
Current service cost	$ 1,087	$ 902
Interest cost	535	416
Prior service costs amortization	155	153
Actuarial loss amortization	318	189
Net benefit cost	$ 2,095	$ 1,660
Assumptions:		
Discount rate for accrued benefit obligation	5.2%	5.4%
Discount rate for benefit cost	5.4%	5.8%
Expected average remaining service life of employees	9	9
Salary increase	4%	4%

The value of the accrued benefit obligation under the Plan is fully secured by a combination of contingent assets in the form of a letter of credit held by the trustee plus the balance in the refundable tax account held by the Canada Revenue Agency. The letter of credit is payable to the trustee and only if a designated event as defined by the Plan occurs. A designated event includes, for example, the Region becoming insolvent or bankrupt and failing to meet certain plan conditions.

The amount of the letter of credit has been calculated assuming the plan has been terminated within the period April 1 to March 31 and all benefits settled in lump sum payments. The lump sum payment for each member is sufficient to purchase an annuity using the Plan's prescribed assumptions and to pay the member's income tax on the lump sum and interest thereon to the date of pension commencement. The required face amount for the letter of credit according to the trust agreement is 110% of the actuarial present value for each member plus 110% of a reasonable estimate of expenses less the assets in the refundable tax account. The face amount of the letter of credit is $15,787,000 for April 1, 2006 to March 31, 2007 ($11,746,000 for April 1, 2005 to March 31, 2006).

Note 9 Long-term Employee Benefit Liabilities (continued)

(b) Pension expense

	2007	2006
	(thousands of dollars)	
Local Authorities Pension Plan[a]	$ 59,200	$ 52,366
Defined contribution pension plans	8,112	4,830
Supplemental Executive Retirement Plan	2,095	1,660
	$ 69,407	$ 58,856

[a] At December 31, 2006, the Local Authorities Pension Plan reported a deficit of $746,651,000 (2005 – deficit of $863,558,000).

Note 10 Commitments and Contingencies

(a) Leases

The Region is contractually committed to future operating lease payments until 2028 as follows:

Year ended March 31	(thousands of dollars)
2008	$ 18,571
2009	16,367
2010	13,477
2011	12,189
2012	11,737
Thereafter	60,166
	$ 132,507

Note 10 Commitments and Contingencies (continued)

(b) Capital Assets

The Region has the following outstanding contractual commitments for capital assets:

	2007 (thousands of dollars)
Construction	$ 597,669
Equipment	18,901
Information systems	31,005
	$ 647,575

(c) Contracted Health Service Operators

The Region contracts on an ongoing basis with voluntary and private health service operators to provide health services in the region. The Region has contracted for services in the year ending March 31, 2008 similar to those provided by these operators in 2007.

(d) Legal

In the ordinary course of operations, various claims and lawsuits are brought against the Region. While it is not possible to estimate the ultimate liability with respect to the pending litigation, the Region believes there will be no material adverse effect on the financial position of the Region.

Note 11 Budget

	Approved Budget [a]	Adjustments [b]	Reported Budget
	(thousands of dollars)		
Revenue			
Alberta Health and Wellness contributions	$ 2,166,964	$ 10,349	$ 2,177,313
Other government contributions	23,740	1,841	25,581
Fees and charges	149,128	5,661	154,789
Ancillary operations, net	10,417	(973)	9,444
Donations	6,886	213	7,099
Investment and other income	87,567	7,176	94,743
Amortization of external capital contributions	73,194	-	73,194
TOTAL REVENUE	2,517,896	24,267	2,542,163
Expenses			
Facility-based inpatient acute nursing services	729,865	8,129	737,994
Facility-based emergency and outpatient services	327,841	8,167	336,008
Facility-based continuing care services	182,064	(6,187)	175,877
Community-based care	105,706	(4,544)	101,162
Home care	108,712	(142)	108,570
Diagnostic and therapeutic services	488,765	(8,803)	479,962
Promotion, prevention and protection services	61,855	1,596	63,451
Research and education	33,767	3,969	37,736
Administration	74,049	12,090	86,139
Information technology	54,973	4,563	59,536
Support services	343,979	7,788	351,767
Amortization of facilities and improvements	38,215	(2,359)	35,856
TOTAL EXPENSES	2,549,791	24,267	2,574,058
Deficiency of revenue over expenses	$ (31,895)	$ -	$ (31,895)

(a) The budget was approved by the Board of the Region on November 28, 2006, and submitted to the Minister of Health and Wellness.

(b) Adjustments relate to classification changes to ensure budgeted revenue and expenses conform with actual reporting classifications.

Note 12 Alberta Health and Wellness Contributions

	2007	2006
	(thousands of dollars)	
Unrestricted contributions	$ 2,032,462	$ 1,880,196
Restricted contributions recognized as revenue	148,711	116,495
Full cost adjustment:		
Contributions made directly by Alberta Health and Wellness to contracted operators (Note 19(e))	6,527	1,164
	$ 2,187,700	$ 1,997,855

Note 13 Other Government Contributions

	2007	2006
	(thousands of dollars)	
Unrestricted contributions	$ 2,354	$ 1,665
Restricted contributions recognized as revenue	24,848	19,830
Full cost adjustments:		
Fair value for use of non-owned acute care facilities (Note 19(e))	588	430
Fair value for use of non-owned non-acute care facilities	2,478	2,478
	$ 30,268	$ 24,403

Note 14 Fees and Charges

	2007	2006
	(thousands of dollars)	
Acute care – inpatient	$ 57,129	$ 52,701
Acute care – outpatient	16,905	10,985
Continuing care	18,885	19,561
Other	6,197	4,532
Fees and charges – contracted operators:		
Continuing care	55,010	52,514
Other	4,145	3,592
	$ 158,271	$ 143,885

Note 15 Ancillary Operations

	2007				2006
	Revenue	Direct Expenses	Amortization Expense	Excess of Revenue over Expenses	Excess of Revenue over Expenses
Parking operations	$19,265	$ 6,132	$3,780	$ 9,353	$10,091
Non-patient food services	11,446	10,551	6	889	(83)
Sales of goods and services	7,304	7,217	-	87	535
Rental operations	1,901	629	-	1,272	1,368
	$39,916	$24,529	$3,786	11,601	11,911
Less: Administrative support to Calgary Health Trust (Note 19 (d)(i))				4,045	3,782
Net revenue from ancillary operations				$7,556	$ 8,129

Note 16 Investment and Other Income

	2007	2006
	(thousands of dollars)	
Recoveries	$ 68,243	$ 60,818
Investment income	28,276	14,723
Exchange loss	(287)	(276)
Interest earned on lease receivable	-	550
Gain on settlement of lease receivable (Note 22)	1,633	-
Workers' Compensation Board special dividend	6,231	-
Other	9,258	8,455
	$ 113,354	$ 84,270

Note 17 Research and Education

Research and education expenses were funded from the following sources:

	2007	2006
	(thousands of dollars)	
Alberta Health and Wellness contributions:		
Restricted	$ 28,627	$ 24,907
Unrestricted	4,852	3,063
Other government contributions	189	119
Donations	3,173	1,581
Investment and other income	726	1,112
	$ 37,567	$ 30,782

Note 18 Long-term Care Partnership

The Alberta Government has supported long-term care partnership projects by providing one-time, up-front funding to enable the Region to make annual supplementary payments to the partners over the term of the partnership contracts. Amounts invested under the terms of long-term care partnership agreements will be utilized to fund future payments to operators over the next 26 years. These payments have a net present value of $29,413,000 at March 31, 2007 ($2006 - $28,660,000) discounted at 3.98% (2006 – 4.26%). The Region is subject to risk in that the invested amounts may not earn a rate of return adequate to meet the payments as they become due.

	2007	2006
	(thousands of dollars)	
Included in deferred contributions:		
Current portion	$ 2,185	$ 2,211
Non-current portion	31,075	28,333
	$ 33,260	$ 30,544

The investments have a market value at March 31, 2007 of $37,511,000 ($2006 - $36,502,000).

Note 19 Related Parties

(a) Province of Alberta

The Minister of Health and Wellness appoints the board members of the Region. The Region is economically dependent upon the Ministry of Health and Wellness since the viability of its on-going operations depends on contributions from the Ministry. Transactions between the Region and the Ministry are disclosed in the Consolidated Statement of Financial Position, the Consolidated Statement of Operations, and the Notes to Consolidated Financial Statements.

(b) Health Authorities

The Region shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between the Region and other health authorities are reported in the Consolidated Statement of Operations.

Note 19 Related Parties (continued)

(c) Primary Care Networks

The Region's share of the Primary Care Networks' contributions from Alberta Health and Wellness including amounts received less amounts recognized as revenue in the year are as follows:

	2007	2006
	(thousands of dollars)	
Balance deferred contributions, beginning of year	$ 1,827	$ -
Contributions from Alberta Health and Wellness	12,870	2,020
Amounts recognized as revenue	(3,535)	(193)
Balance deferred contributions, end of year	$ 11,162	$ 1,827

(d) Foundations

(i) Calgary Health Trust

The Calgary Health Trust is considered a controlled foundation as the Region appoints the majority of the voting members of the Foundation's Board of Directors. The purpose of the Trust is to benefit the Region, each facility within the Region and individual health programs and services operated by the Region, and to hold funds for its own account and without restriction to manage endowment funds received from any source. The Trust is a registered charity under the Income Tax Act. The Calgary Health Trust is not consolidated in these financial statements.

The Region, the Trust, and the University of Calgary (the University) are collaborating in a joint fundraising initiative branded "Reach!". The purpose of Reach! is to employ the expertise of the participants to create specific donor opportunities and raise philanthropic capital to achieve new world standards of health care over the next ten years. Under the initiative, the Trust will receive donations and make grants to the Region, the University and other health-related organizations as requested by the donors.

Note 19 Related Parties (continued)

The following aggregated financial information of the Trust is presented using the same accounting policies as the Region.

	Calgary Health Trust	
	2007	2006
	(thousands of dollars)	
Revenue	$ 24,755	$ 16,169
Expenses	24,295	15,730
Excess of revenue over expenses	$ 460	$ 439
Total assets	$ 92,556	$ 66,953
Total liabilities	(76,472)	(52,845)
Net assets	$ 16,084	$ 14,108
Resources held by the Trust:		
Endowments	$ 15,624	$ 13,669
Externally restricted	64,062	44,017
Unrestricted	460	439

Transactions in the normal course of operations between the Region and the Trust are as follows:

Administrative support from the Region	$ 4,045	$ 3,782
Charitable disbursements to the Region	5,239	8,681
Accounts payable to the Region from the Trust	(56)	-
Fair value for use of office space - not included in administrative support	320	100

(ii) Other Foundations

The Region has economic interests in several foundations which raise funds to benefit the Region and other health related entities. The resources held by these foundations are not necessarily limited for use by the Region. These foundations are not consolidated in these financial statements. The foundations are registered charities under the Income Tax Act. The foundations are:

Alberta Children's Hospital Foundation
Canmore and Area Health Care Foundation
Claresholm and District Health Foundation
High River District Health Care Foundation
Oilfields/Okotoks Health Foundation
Rosebud Health Foundation
Strathmore District Health Foundation

Note 19 Related Parties (continued)

(e) Contracted Health Service Operators

The Region has an economic interest through its contracts with voluntary and private health service providers in the Region. Funding was provided as follows:

	Direct Regional Funding	Direct Alberta Health and Wellness Funding	Fees and Charges and Other Income	Full Cost Adjustments	Total
	(thousands of dollars)				
2007					
Voluntary health service providers	$ 69,086	$ 2,076	$ 22,851	$ 589	$ 94,601
Private health service providers	126,321	4,451	37,230	-	168,002
	$ 195,407	$ 6,527	$ 60,081	$ 589	$ 262,603
2006					
Voluntary health service providers	$ 62,919	$ 366	$ 21,521	$ 430	$ 85,236
Private health service providers	107,752	798	35,446	-	143,996
	$ 170,671	$ 1,164	$ 56,967	$ 430	$ 229,232

(f) University of Calgary

The University of Calgary (the "University") is considered a related party as the Province of Alberta appoints the board members of both the Region and the University. Transactions in the normal course of operations between the Region and the University recorded at their exchange amount are as follows:

	2007	2006
	(thousands of dollars)	
Amount included in expenses [(i)]	$ 28,000	$ 23,000
Amount included in revenue [(ii)]	14,000	15,000
Net payable by the Region to the University	6,000	2,500

(i) The Region pays to the University amounts related to: physicians; research projects, studies and grants; programs; and support services.

(ii) The Region receives from the University amounts related to: utilities; salaries and benefits; and materials, supplies and overheads.

The Region leases land and space from the University (Note 4(a) (i)) and (Note 8 (b)).

Note 20 Contracts under the Health Care Protection Act

The Region has contracts with the following surgical facilities pursuant to the *Health Care Protection Act*:

Nature of Service and Entity	Term of Contract	Annual Value	Total Expense 2007	Total Expense 2006
			(thousands of dollars)	
Ophthalmology [6]	Oct 1/03 – Mar 31/08			
Gimbel Eye Centre		$ 1,136	$ 1,468	$ 835
Holy Cross Surgical Services		3,268	2,042	1,841
Michael Edward Ashenhurst, Prof. Corp.		87	48	83
Mitchell Surgi-Centre and Mitchell Eye Centre		505	1,223	450
Rocky Mountain Surgery Centre		1,335	918	732
Surgical Centres Inc.		2,782	1,268	1,789
Orthopedic Surgical Services				
Health Resource Centre – Calgary [6]	Oct 18/04 – Jan 31/07	8,333	7,251	4,918
	Feb 1/07 – Mar 31/08	2,000		
Oral Surgery	Oct 1/03 – Mar 31/07	123		
Brian Whitestone, Prof. Corp.			34	21
Brett Habijanac, Prof. Corp.			33	17
Douglas J. Vincelli, Prof. Corp.			84	42
Francis Skulsky, Prof. Corp.			19	12
Hedd-Wyn Lloyd Williams, Prof. Corp.			12	4
Royal View Surgi Centre			27	9
Steve Bureau, Prof. Corp.			29	25
Terence A. Summers			11	15
ENT/Hernia/Pediatric Myringotomy and Tube				
Holy Cross Surgical Services	Oct 1/02 – Sep 30/05	-	-	118
Plastic Surgery				
Elizabeth Joy Hall-Findlay, Prof. Corp.	Oct 1/03 – Mar 31/05	-	-	5
Pregnancy Terminations				
Kensington Clinic	Oct 1/03 – Mar 31/07	1,500	1,135	1,049
			$ 15,602	$ 11,965

Payments to these surgical facilities are reported under facility-based emergency and outpatient services in the Consolidated Statement of Operations.

[6] Actual expenses exceed the annual value of the contract for some ophthalmologists because contracted procedures not performed by other ophthalmologists were reallocated.

[d] The annual value was prorated based on the term of the contract falling within the current fiscal year.

Note 21 Trust Funds

The Region receives funds in trust from Alberta Health and Wellness to pay other Regional Health Authorities for certain programs coordinated by the Region. During the year, the Region recorded receipts of $29,434,000 and disbursements of $2,797,000. The Region receives other funds in trust for research and development, education and other programs. The Region also receives funds in trust from continuing care residents for personal expenses. These amounts are not reflected in these financial statements.

	2007	2006
	(thousands of dollars)	
Balance of funds held by the Region:		
Alberta Health and Wellness		
- Received	$ 15,806	$ 1,169
- Receivable	27,000	15,000
Research, development, education and other programs	4,831	4,395
Primary Care Networks	7,768	1,828
Continuing care residents	595	524
	$ 56,000	$ 22,916

Note 22 Purchase of 50.01% of CLS

Effective April 1, 2006, the Region purchased the remaining 50.01% of CLS for $42 million. A lease receivable was settled as part of the purchase. The purchase price was assigned according to fair values as follows:

	(thousands of dollars)
Non-cash working capital	$ (2,529)
Capital assets	17,802
Intangible assets – premise leases	443
Goodwill	25,804
Settlement of lease receivable	(8,655)
Purchase price, net of cash	32,865
Cash	10,768
Purchase price to be assigned	43,633
Gain on settlement of lease receivable	(1,633)
Amount paid	$ 42,000

The lease receivable at current interest rates was valued higher than the carrying amount by $1,633,000. The Region recognized this settlement gain as other revenue.

Note 23 Accumulated Deficit

The accumulated surplus of the Region is insufficient to cover the current year's operating deficit. In order to comply with Alberta Regulation 15/95 of the RHA Act, the Region will provide the Minister with a plan by July 31, 2007, in writing, that is satisfactory to the Minister, to eliminate the accumulated deficit within three years of it being incurred.

Note 24 Prior Period Adjustment

During the year, the Region converted the capital asset sub-ledgers and reconciled net book values by funding to unamortized external capital contributions and investments in capital assets. As a result, the Region identified land of $38,618,000 that was incorrectly included in unamortized external capital contributions and other capital assets of $14,223,000 that were internally funded but previously reported as externally funded. The opening balances have been restated as follows:

	As Originally Reported	Adjustments	As Restated
	(thousands of dollars)		
As at March 31, 2006:			
Unamortized external capital contributions	$ 1,016,544	$ (52,841)	$ 963,703
Investment capital assets	83,936	52,841	136,777
As at March 31, 2005:			
Net assets	83,389	52,841	136,230

Note 25 Comparative Figures

Certain 2006 figures have been reclassified to conform to 2007 presentation.

Note 26 Approval of Financial Statements

These consolidated financial statements have been approved by the Board of the Region.

Schedule 1

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT

FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007 Budget	2007 Actual	2006 Actual
Salaries and benefits (Schedule 2)	$ 1,372,821	$ 1,363,697	$ 1,168,336
Contracts with health service operators	330,555	332,532	425,785
Contracts under the Health Care Protection Act (Note 20)	11,329	15,602	11,965
Drugs and gases	86,071	91,765	87,319
Medical and surgical supplies	109,843	107,435	102,150
Other contracted services [a]	284,508	286,938	235,663
Interest on long-term debt	3,918	4,771	1,849
Other [b]	309,991	316,974	229,194
	2,509,036	2,519,714	2,262,261
Amortization			
Capital equipment – internally funded	11,347	13,501	15,185
Capital equipment – externally funded	45,355	38,412	40,126
Facilities and improvements – internally funded	4,596	8,843	9,056
Facilities and improvements – externally funded	33,922	31,439	24,059
Intangible assets – internally funded	-	70	-
	95,220	92,265	88,426
	2,604,256	2,611,979	2,350,687
Less amounts reported in ancillary operations	(25,666)	(28,315)	(24,908)
Less administrative support to Calgary Health Trust (Note 19 (d)(i))	(4,532)	(4,045)	(3,782)
	$ 2,574,058	$ 2,579,619	$ 2,321,997

Schedule 1 (continued)

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT

FOR THE YEAR ENDED MARCH 31, 2007

(thousands of dollars)

[a] Other contracted services include the following:

	2007	2006
Medical purchased services	$ 197,663	$ 159,693
Other purchased services	78,872	67,694
Legal fees	1,925	2,372
Other professional fees	8,478	5,904
	$ 286,938	$ 235,663

[b] Other includes the following:

	2007	2006
Clinical lab and therapeutic supplies	$ 42,356	$ 17,431
Utilities	37,096	35,206
Referred out services	31,563	26,117
Minor equipment	28,845	17,931
Rented space	25,747	17,394
Equipment maintenance	24,594	15,749
Department and office supplies	22,038	17,802
Communication and education expenses	19,897	13,695
Food supplies	18,038	16,320
Repairs and maintenance	15,289	12,397
Recruitment and travel	13,213	9,052
Housekeeping and laundry supplies	8,859	8,888
Plant maintenance and equipment supplies	6,227	4,474
Insurance	4,596	4,374
Other expenses	18,616	12,364
	$ 316,974	$ 229,194

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2007

(thousands of dollars)

	2007							
						Severance		
	Number of FTE's [a]	Salaries and Honoraria [b]	Benefits and Allowances [c]	Supplemental Executive Retirement Plan [d]	Sub Total	Number of FTEs	Amount	Total
Board Compensation								
Chairperson								
David Tuer	1.00	$ 40	$ 4	$ -	$ 44	-	$ -	$ 44
Board Members								
Diane Caleffi	1.00	11	2	-	13	-	-	13
Sandy Dougall	1.00	8	-	-	8	-	-	8
Loreen Gilmour	1.00	7	2	-	9	-	-	9
Eileen Grant (to April 30, 2006)	0.12	3	1	-	4	-	-	4
Myron Kanik	1.00	5	-	-	5	-	-	5
Nancy Laird (from January 1, 2007)	0.25	-	-	-	-	-	-	-
Shelley Mabott (to September 27, 2005)	-	-	-	-	-	-	-	-
Lynn Martin	1.00	11	3	-	14	-	-	14
Mairi Matheson	1.00	8	1	-	9	-	-	9
N.D. (Skip) McDonald	1.00	3	-	-	3	-	-	3
Gordon McPherson	1.00	13	2	-	15	-	-	15
Robert Moskovitz	1.00	6	1	-	7	-	-	7
George Pinchbeck	1.00	14	2	-	16	-	-	16
Marjorie Ricketts	1.00	13	2	-	15	-	-	15
Courtney Rousseau	1.00	21	2	-	23	-	-	23
	13.37	163	22	-	185	-	-	185

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2007

(thousands of dollars)

	2006				
	Number of FTE's [a]	Salaries, Honoraria, Benefits [b][c]	Supplemental Executive Retirement Plan [f]	Severance	Total
Board Compensation					
Chairperson					
David Tuer	1.00	$ 41	$ -	$ -	$ 41
Board Members					
Diane Caleffi	1.00	13	-	-	13
Sandy Dougall	1.00	9	-	-	9
Loreen Gilmour	1.00	20	-	-	20
Eileen Grant	1.00	17	-	-	17
Myron Kanik	1.00	5	-	-	5
Shelley Mabbott (to September 27, 2005)	0.54	1	-	-	1
Lynn Martin	1.00	16	-	-	16
Mairi Matheson	1.00	9	-	-	9
N.D. (Skip) McDonald	1.00	2	-	-	2
Gordon McPherson	1.00	16	-	-	16
Robert Moskovitz (from January 31, 2006)	0.13	1	-	-	1
George Pinchbeck	1.00	18	-	-	18
Marjorie Ricketts	1.00	14	-	-	14
Courtney Rousseau	1.00	25	-	-	25
	13.67	207	-	-	207

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2007

(thousands of dollars)

	2007									
		Salaries and Benefits			Supplemental Executive Retirement Plan [f]			Severance		
	Number of FTE's [a]	Salaries [b]	Benefits [c]	Total Salaries and Benefits	Current Service	Other Costs	Total SERP	Number of FTEs	Amount	Total Expense
Staff Compensation										
President and Chief Executive Officer [d]	1.00	$ 606	$ 8	$ 614	$ 247	$ 358	$ 605	-	$ -	$ 1,219
(see A on following page)	1.00	238	19	257	21	32	53	-	-	310
Medical Officer of Health	1.00	169	19	188	7	1	8	-	-	196
Executive Director Internal Audit and Risk Management										
Management reporting to the CEO:										
Executive Vice President and Chief Clinical Officer [d]	1.00	448	4	452	38	20	58	-	-	510
Executive Vice President, Risk Management and CFO [d]	1.00	397	8	405	48	61	109	-	-	514
Senior Vice President, Planning and Capital Development [d]	0.84	333	5	338	35	15	50	-	-	388
Senior Vice President, People and Learning [d]	1.00	327	18	345	29	5	34	-	-	379
Senior Vice President, Community Relations [d]	1.00	274	18	292	26	6	32	-	-	324
Senior Vice President, Wellness	1.00	280	17	297	24	31	55	-	-	352
Acting Senior Vice President, Patient Experience and Advocacy	0.10	20	-	20	-	-	-	-	-	20
Senior Vice President and Advisor Patient Experience and Advocacy	1.00	420	19	439	56	18	74	-	-	513
Senior Advisor to CEO	0.42	81	1	82	-	-	-	-	-	82
Vice President, Government Relations and Assistant Corporate Secretary [d] [e]	1.00	192	19	211	9	2	11	-	-	222
Other management reporting to above	20.55	4,465	369	4,834	317	139	456	4	159	5,449
Other management	738.88	71,077	10,398	81,475	230	320	550	17	1,260	83,285
Medical doctors not included above	71.15	15,080	248	15,328	-	-	-	-	-	15,328
Regulated nurses not included above:										
RN's, RPNs, grad nurses,	5,926.45	462,280	75,796	538,076	-	-	-	-	-	538,076
LPN's	608.22	30,237	5,050	35,287	-	-	-	-	-	35,287
Other health technical and professional	4,081.05	275,546	40,778	316,324	-	-	-	9	314	316,638
Unregulated health service providers	1,487.88	56,936	10,385	67,321	-	-	-	-	-	67,321
Other staff	6,053.09	247,751	48,951	296,702	-	-	-	34	397	297,099
	18,998.63	1,167,157	192,130	1,359,287	1,087	1,008	2,095	64	2,130	1,363,512
Total board and staff compensation	19,012.00	$1,167,320	$192,152	$1,359,472	$1,087	$1,008	$ 2,095	64	$2,130	$ 1,363,697

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2007

(thousands of dollars)

	2006						
			Supplemental Executive Retirement Plan [f]				
	Number of FTE's [a]	Salaries and Benefits [b] [c]	Current Service	Other Costs	Total Costs	Severance	Total Expense
Staff Compensation							
President and Chief Executive Officer [d]	1.00	$ 579	$177	$236	$413	$ -	$ 992
(see A on following page)							
Medical Officer of Health	1.00	240	16	22	38	-	278
Executive Director Internal Audit and Risk Management	0.29	65	-	-	-	-	65
Management reporting to the CEO:							
Executive Vice President and Chief Clinical Officer [d]	1.00	387	64	39	103	-	490
Executive Vice President, Risk Management and CFO [d]	1.00	379	42	54	96	-	475
Senior Vice President, Planning and Capital Development [d]	1.00	317	14	6	20	-	337
Senior Vice President, People and Learning [d]	1.00	321	27	4	31	-	352
Senior Vice President, Communication and Community Relations	1.00	314	24	5	29	-	343
Senior Vice President, Wellness	1.00	281	35	32	67	-	348
Senior Vice President and Advisor Patient Experience and Advocacy	1.00	432	51	14	65	-	497
Senior Advisor to CEO	0.50	136	-	-	-	-	136
Executive Director, Office of the CEO and Government Relations [d] [e]	1.00	186	8	1	9	-	195
Other management reporting to above	22.95	5,051	444	345	789	812	6,652
Other management	514.84	56,200	-	-	-	464	56,664
Medical doctors not included above	2.15	274	-	-	-	-	274
Regulated nurses not included above:							
RN's, RPNs, grad nurses,	5,688.80	500,701	-	-	-	57	500,758
LPN's	561.96	28,220	-	-	-	-	28,220
Other health technical and professional	2,795.09	227,160	-	-	-	114	227,274
Unregulated health service providers	1,433.71	58,701	-	-	-	-	58,701
Other staff	5,412.51	284,544	-	-	-	534	285,078
	16,442.80	1,164,488	902	758	1,660	1,981	1,168,129
Total board and staff compensation	16,456.47	$1,164,695	$902	$758	$1,660	$1,981	$1,168,336

CALGARY HEALTH REG

CONSOLIDATED SCHEDULE OF SALAR

FOR THE YEAR ENDED MARC

(thousands of dollars)

Additional disclosure as require by Alberta Treasury Board directive is as follows:

	Base Salary [b]
Board Chair	$ -
Board members	-
President and Chief Executive Officer	414
Medical Officer of Health	219
Executive Director Internal Audit and Risk Management	145
Management reporting to the CEO:	
Executive Vice President and Chief Clinical Officer	279
Executive Vice President, Risk Management and CFO	303
Senior Vice President, Planning and Capital Development	266
Senior Vice President, People and Learning	261
Senior Vice President, Community Relations	218
Senior Vice President, Wellness	219
Acting Senior Vice President, Patient Experience and Advocacy	20
Senior Vice President and Advisor Patient Experience and Advocacy	328
Senior Advisor to CEO	77
Vice President, Government Relations and Assistant Corporate Secretary	162

GION

RIES AND BENEFITS

CH 31, 2007

2007			2006
Other Cash Benefits[b]	Other Non-Cash Benefits [c]	Total Expense	Total Expense
$ 40	$ 4	$ 44	$ 41
123	18	141	166
192	613	1,219	992
19	72	310	278
24	27	196	65
169	62	510	490
94	117	514	475
67	55	388	337
66	52	379	352
56	50	324	343
61	72	352	348
-	-	20	-
92	93	513	497
4	1	82	136
30	30	222	195

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF SALARIES, AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2007

A. The Governance and Audit Committee approves the compensation paid to the President and Chief Executive Officer. The compensation paid to the President and CEO and those reporting to him includes base salary and an incentive payment based on achieving annual goals. These components are intended to achieve the following objectives:

- to attract and retain highly qualified management
- to focus performance by linking incentive compensation to the achievement of strategic objectives
- to encourage retention of key leaders for the succession of our management

a. Full time equivalents (FTE's) for staff are based on the number of hours worked in a standard work year, which is 2,022.75 hours for most occupation groups. FTE's for board members are based on twelve months of service. This schedule includes employees of the Region but excludes independent contractors. Total actual discrete number of individuals employed during the year: 32,254 (2006 – 26,799).

b. Salaries include regular base pay, overtime, lump sum payments, shift differential, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation. Base salary only includes regular base pay whereas other cash benefits includes honoraria, bonuses and other lump sum payments.

c. Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, employment insurance, Local Authorities Pension Plan, workers compensation, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, and tuition. Other non-cash benefits also include the employer's cost of retirement arrangements as described under note f.

d. These individuals are provided with an automobile allowance. No dollar amount is included under benefits and allowances.

e. These positions were held by the same incumbent in 2007 as in 2006.

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF SALARIES, AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2007

f. Retirement arrangements

Under the terms of the Supplemental Executive Retirement Plan (SERP), executive officers may receive supplemental retirement payments.

Total SERP costs are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. SERP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains or losses of the benefit obligation are amortized over the average remaining service life of the employee group.

Current service cost is the actuarial present value of the benefit earned in the fiscal year. Other SERP costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

The change in the accrued benefit obligation includes current service cost, interest accruing on the actuarial liability and the full amount of any actuarial loss or gain in the period.

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2007

(thousands of dollars)

The accrued benefit obligation for each executive under the SERP is outlined in the following table:

	Accrued Benefit Obligation March 31, 2006	Change in Accrued Benefit Obligation	Accrued Benefit Obligation March 31, 2007
President and Chief Executive Officer	$ 2,868	$ 755	$ 3,623
Medical Officer of Health	297	43	340
Executive Director Internal Audit and Risk Management	2	11	13
Management reporting to the CEO:			
Executive Vice President and Chief Clinical Officer	253	464	717
Executive Vice President, Risk Management and CFO	532	292	824
Senior Vice President, Planning and Capital Development	173	57	230
Senior Vice President, People and Learning	41	54	95
Senior Vice President, Community Relations	50	44	94
Senior Vice President, Wellness	315	141	456
Senior Vice President and Advisor Patient Experience and Advocacy	206	95	301
Vice President, Government Relations and Assistant Corporate Secretary	18	21	39

DAVID THOMPSON REGIONAL HEALTH AUTHORITY

FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007
and
AUDITORS' REPORT

DAVID THOMPSON REGIONAL HEALTH AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2007

Auditors' Report

Statement of Management Responsibility for Financial Reporting

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Schedule of Expenses by Object

Schedule 2 - Schedule of Salaries and Benefits

DAVID THOMPSON HEALTH REGION

Corporate Administration
DTHR Corporate Office
602, 4920 - 51st Street
Red Deer, AB T4N 6K8
Tel 403.341.8600
Fax 403.341.8632

David Thompson Regional Health Authority

Management's Responsibility for Financial Reporting

Financial Statements

March 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards, procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system provides management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. The Authority has established a code of ethics and corporate directives, which include communication of the code to employees.

The Authority carries out its responsibility for the financial statements through the Committee of the Whole. This Committee meets with management and the external auditor, Cuthbertson Sandall, Chartered Accountants, to review financial matters, and recommends the financial statements to the David Thompson Regional Health Authority Board for approval. The external auditor has full and free access to the Committee of the Whole.

The external auditor, Cuthbertson Sandall, Chartered Accountants, provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

John Vogelzang
President & CEO

Bryan Judd
Vice President & Chief Operating Officer
Corporate Services

CUTHBERTSON SANDALL
chartered accountants

AUDITORS' REPORT

To the Members of the David Thompson Regional Health Authority and the Minister of Health

We have audited the statement of financial position of the David Thompson Regional Health Authority ("the Authority") as at March 31, 2007 and the statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles and Financial Directives issued by Alberta Health and Wellness.

Cuthbertson Sandall

Red Deer, Alberta
May 16, 2007

Chartered Accountants

David Thompson Regional Health Authority
Statement of Financial Position
March 31, 2007
(thousands of dollars)

	2007 Actual	2006 Actual (Restated) (Note 20)
ASSETS		
Current:		
Cash and investments (Note 3)	$ 30,065	$ 20,973
Accounts receivable	19,547	19,528
Contributions receivable from Alberta Health and Wellness	11,206	10,016
Inventories	6,615	5,935
Prepaid expenses	2,586	2,390
	70,019	58,842
Non-current cash and investments (Note 3)	26,717	26,020
Capital assets (Note 4)	415,428	417,860
Loans - continuing care partnership projects (Note 5)	20,034	20,727
Other assets (Note 6)	546	942
TOTAL ASSETS	$532,744	$ 524,391
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 47,098	$ 42,345
Accrued vacation pay	21,872	20,702
Deferred contributions (Note 7)	27,299	22,403
Current portion of long-term debt (Note 9)	212	210
	96,481	85,660
Deferred capital contributions (Note 8)	26,717	26,020
Deferred contributions - continuing care partnership projects (Note 5)	20,395	21,223
Long-term debt (Note 9)	449	647
Unamortized external capital contributions (Note 4)	381,521	381,641
	525,563	515,191
Net assets		
Accumulated deficit (Note 10)	(25,640)	(25,737)
Investment in capital assets from internally funded sources (Note 4)	32,821	34,937
Operating net assets	7,181	9,200
TOTAL LIABILITIES AND NET ASSETS	$532,744	$ 524,391

Commitments and contingencies (Note 11)

The accompanying notes and schedules are an integral part of these financial statements.

David Thompson Regional Health Authority
Statement of Operations
For the Year Ended March 31, 2007
(thousands of dollars)

	2007 Budget (Note 12) (unaudited)	2007 Actual	2006 Actual
Revenue			
Alberta Health and Wellness contributions (Note 13)	$ 493,786	$ 495,800	$ 455,905
Other government contributions (Note 14)	10,732	10,094	10,052
Fees and charges	31,255	32,874	32,189
Ancillary operations, net (Note 15)	343	372	410
Donations	751	1,347	929
Investment and other income (Note 16)	9,898	13,175	14,779
Amortized external capital contributions	26,133	27,271	24,843
TOTAL REVENUE	572,898	580,933	539,107
Expenses (Schedule 1)			
Facility-based inpatient acute nursing services	147,394	151,438	143,984
Facility-based emergency and outpatient services	39,018	40,182	37,003
Facility-based continuing care services	63,088	63,482	56,724
Ground ambulance discovery project	-	-	132
Community-based care	18,209	17,611	15,750
Home care	22,998	23,515	22,119
Diagnostic and therapeutic services	99,550	97,541	93,828
Promotion, prevention and protection services	19,368	18,316	18,225
Research and education	395	443	454
Administration	27,212	27,120	25,477
Information technology	16,211	16,170	12,694
Support services	110,306	109,518	103,264
Amortization of facilities and improvements	17,759	17,616	14,082
Capital assets write down	-	-	6,479
TOTAL EXPENSES	581,508	582,952	550,215
Deficiency of revenue over expenses	$ (8,610)	$ (2,019)	$ (11,108)

David Thompson Regional Health Authority
Statement of Changes In Net Assets
For the Year Ended March 31, 2007
(thousands of dollars)

	2007			2006
	Accumulated deficit (Note 10)	Investment in capital assets from internally funded sources	Total	Total
Balance at beginning of year	$ (25,737)	$ 34,937	$ 9,200	$ 20,308
Deficiency of revenue over expenses	(2,019)	-	(2,019)	(11,108)
Capital assets purchased with internal funds	(3,034)	3,034	-	-
Amortization on internally funded capital assets	5,329	(5,329)	-	-
Repayment of long-term debt used to fund capital assets	(196)	196	-	-
Loss on disposal of internally funded capital assets	17	(17)	-	-
Balance at end of year	$ (25,640)	$ 32,821	$ 7,181	$ 9,200

David Thompson Regional Health Authority
Statement of Cash Flow
For the Year Ended March 31, 2007
(thousands of dollars)

	2007		2006
	Budget (unaudited)	Actual	Actual
Cash generated from (used by):			
Operating activities:			
Deficiency of revenue over expenses	$ (8,610)	$ (2,019)	$ (11,108)
Non-cash transactions:			
Amortization of capital equipment - internally funded	4,602	5,001	3,669
- externally funded	8,706	10,000	7,265
Amortization of facilities and improvements	17,759	17,551	13,909
Loss on disposal of capital equipment	-	65	139
Amortized external capital contributions	(26,133)	(27,271)	(24,843)
Loss on disposal of facilities and improvements	-	-	35
Write down of capital assets	-	-	6,479
Changes in non-cash working capital accounts	(5,575)	9,692	(13,203)
Cash generated from (used by) operations	(9,251)	13,019	(17,658)
Investing activities:			
Purchase of capital assets:			
internally funded	(2,212)	(3,034)	(9,782)
externally funded - equipment	(9,438)	(17,778)	(13,414)
externally funded - facility and improvements	(14,600)	(9,373)	(20,745)
Allocations to non-current cash and investments	-	(697)	-
Cash used by investing activities	(26,250)	(30,882)	(43,941)
Financing activities:			
Capital contributions received	24,038	27,151	34,159
Principal payments on long-term debt	(203)	(196)	(194)
Allocations from non-current cash and investments	6,020	-	3,717
Cash generated from financing activities	29,855	26,955	37,682
(Decrease) increase in cash and investments	(5,646)	9,092	(23,917)
Cash and investments, beginning of year	20,973	20,973	44,890
Cash and investments, end of year	$ 15,327	$ 30,065	$ 20,973

Note 1 Authority, Purpose and Operations

The David Thompson Regional Health Authority (the "Authority") was established June 24, 1994 under authority of the Regional Health Authorities Act, Chapter R-10, Revised Statutes of Alberta 2000. The Authority is exempt from payment of income tax and is a registered charity under the Income Tax Act.

The Authority delivers appropriate, accessible and affordable health services in Alberta. This responsibility includes operating programs that promote, protect, maintain, restore and enhance physical and mental well-being.

The Authority's operations include the following facilities and sites:

Bentley Care Centre
Breton Health Centre
Centennial Centre for Mental Health and Brain Injury
Consort Hospital and Care Centre
Coronation Hospital and Care Centre
Drayton Valley Hospital and Care Centre
Drumheller Health Centre
Hanna Health Centre
Innisfail Health Centre
Lacombe Hospital and Care Centre
Olds Hospital and Care Centre
Ponoka Hospital and Care Centre
Red Deer Nursing Home
Red Deer Regional Hospital Centre
Red Deer Valley Park Manor Care Centre
Rimbey Hospital and Care Centre
Rocky Mountain House Health Centre
Stettler Hospital and Care Centre
Sundre Hospital and Care Centre
Three Hills Health Centre
Wetaskiwin Hospital and Care Centre

Castor Community Health Centre
Consort Community Health Centre
Coronation Community Health Centre
Drayton Valley Community Health Centre
Drumheller Environmental Health and Support Services
Eckville Community Health Centre
Elnora Community Health Centre
Lacombe Community Health Centre
Olds Community Health Centre
Ponoka Community Health Centre
Red Deer Bremner Ave. Community Health Centre
Red Deer 49th St. Community Health Centre
Rimbey Community Health Centre
Rocky Mountain House Community Health Centre
Stettler Community Health Services
Sundre Community Health Centre
Sylvan Lake Community Health Centre
Wetaskiwin Community Health Centre
Winfield Community Health Centre

Drayton Valley Mental Health Centre
Drumheller Mental Health Centre
Hanna Mental Health Centre
Lacombe Mental Health Centre
Olds Mental Health Centre
Ponoka Mental Health Centre
Rimbey Mental Health Centre
Rocky Mountain House Mental Health Centre
Stettler Mental Health Centre
Three Hills Mental Health Centre
Wetaskiwin Mental Health Centre

Note 1 Authority, Purpose and Operations (continued)

The financial statements do not include the assets, liabilities and operations of voluntary or private facilities providing health services in the region, except as disclosed in Note 17.

Note 2 Significant Accounting Policies and Reporting Practices

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness' Financial Directive 29. Following are the significant accounting policies:

(a) Basis of presentation

(1) These financial statements were prepared on a consolidated basis and include the accounts of the facilities and sites disclosed in Note 1 but do not include the accounts of the foundations within the Authority.

(2) These financial statements use the deferral method, the key elements of which are:

(i) Unrestricted operating grants and other contributions are recognized as revenue in the year receivable.

(ii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Amounts invested, representing externally funded capital assets, are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the period in which the related amortization expense of the capital assets is recorded.

(iii) Externally restricted contributions are recognized as revenue in the year proportional to the related expenses incurred.

(iv) Endowments and restricted contributions to purchase capital assets that will not be amortized are recorded as direct increases to net assets.

(v) Unrestricted investment income is recognized in the year earned.

(vi) Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as a direct increase to net assets, or deferred and recognized as revenue in the year the related expenses are incurred.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(b) Full cost

The Authority accounts for all costs and revenue from services for which it is responsible. The fair value of costs of services is recorded. Fair value transactions comprise the following:

(i) Revenue earned by contracted health service operators from Ministry of Health and Wellness designated fees and charges are recorded as the Authority's fees and charges. An equivalent amount is recorded as contracted health service expense of the Authority.

(ii) Alberta Health and Wellness direct payments to contracted health service operators are recorded as revenue and an equivalent amount recorded as program expense as these payments represent part of the cost of the Authority's health programs.

(iii) The fair value for use of acute care facilities not owned by the Authority is recorded as revenue from other government contributions or donations, and as program expense, since contract payments from the Authority do not include an amount for use of these facilities.

(iv) The fair value for use of non-acute care facilities not owned by the Authority and provided to the Authority at zero or nominal rent is recorded as other government contributions and as program expense.

(v) Other assets, supplies and services that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. The value of volunteers' contributed services is not reported as a fair value cannot be reasonably determined.

(c) Employee future benefits

The Authority participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for the Authority's participating employees, based on years of service and earnings. Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Employee future benefits (continued)

Pension costs comprise the employer's contributions required for its employees during the year, based on rates expected to provide benefits payable under the pension plan. The Authority does not record its portion of the plans' deficit or surplus.

The Authority fully accrues its obligations for employee non-pension future benefits.

The Region provides a non-contributory defined benefit Supplemental Executive Retirement Plan (SERP) to senior executives of the Authority. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and an actuarial estimate of expected costs and the period of benefit coverage. Net actuarial gains or losses of the benefit obligation are amortized over the average remaining service life of the group.

(d) Investments

Short-term investments are recorded at lower of cost and market value.

Non-current investments are recorded at cost unless there was an other-than-temporary impairment in value. At that time, the value is reduced. Discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains or losses on disposal are recognized in the period of disposal.

(e) Financial instruments

The carrying value of accounts receivable, contributions receivable, accounts payable and accrued liabilities and accrued vacation pay approximates their fair value because of the short-term maturity of these items.

The carrying value of cash and investments and long-term debt approximates their fair value because the interest rates approximate market values.

(f) Inventories

Inventories are valued at the lower of cost or net realizable value where cost is determined on an average cost basis.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Capital assets

Capital assets and capital projects in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed.

Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful life
Land improvements	10 - 20 years
Facilities and improvements	10 - 40 years
Equipment	5 - 20 years

Capital projects in progress are not amortized until the project is complete. Leases transferring substantially all benefits and risks of capital assets ownership to the Authority are reported as capital asset acquisitions financed by long-term debt.

(h) Measurement uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Amortization of capital assets and external capital contributions is based on estimates of the useful life of related assets. Actual results could differ from estimates.

David Thompson Regional Health Authority
Notes To The Financial Statements
For the Year Ended March 31, 2007

Note 3 Cash and Investments

	2007	2006
	(thousands of dollars)	
Cash	$24,868	$32,845
Money market securities	26,766	6,397
Bonds and bond funds	4,354	6,568
Marketable securities	794	1,183
Total cash and investments	$56,782	$46,993
Classified as:		
Current	$30,065	$20,973
Non-current	26,717	26,020
Total cash and investments	$56,782	$46,993

Marketable securities are comprised of publicly traded equities. Risk is minimized by prudent security selection and sector rotation through independent investment counsel.

Bonds and bond funds include provincial, federal and global bonds. Payments from these bonds are backed by the ability of the issuing corporations to pay and are not guaranteed. Bonds held at March 31, 2007 bear interest at rates ranging from 4.0% to 6.0% paid annually. The effective yield on these bonds based on the carrying value at March 31, 2007 is 4.14%.

Market value of cash and investments at March 31, 2007 is $56,849,000 (2006 $47,021,000).

Non-current cash and investments represent the following:

	2007	2006
	(thousands of dollars)	
Externally restricted:		
Equipment replacement	$ 6,303	$ 5,593
New construction	20,072	19,946
Regional Shared Health Information Program	342	481
	$26,717	$26,020

Note 4 Capital Assets

	Cost				
	Opening Balance April 1, 2006	Transfers to/(from) Capital projects in progress	Additions	Disposals	Closing Balance March 31, 2007
	(thousands of dollars)				
Land	$ 6,577	$ -	$ -	$ -	$ 6,577
Land improvements	3,658	7,635	-	-	11,293
Facilities and improvements	504,144	25,923	-	-	530,067
Equipment	116,245	15,109	7,749	(2,414)	136,689
Capital projects in progress	54,096	(48,667)	22,436	-	27,865
	$ 684,720	$ -	$ 30,185	$ (2,414)	$ 712,491

	Accumulated Amortization				Net Book Value	
	Opening Balance April 1, 2006	Current Year Amortization	Accumulated Amortization on Disposals	Closing Balance March 31, 2007	March 31, 2007	March 31, 2006
	(thousands of dollars)					
Land	$ -	$ -	$ -	$ -	$ 6,577	$ 6,577
Land improvements	2,581	403	-	2,984	8,309	1,077
Facilities and improvements	194,712	17,148	-	211,860	318,207	309,432
Equipment	69,567	15,001	(2,349)	82,219	54,470	46,678
Capital projects in progress	-	-	-	-	27,865	54,096
	$ 266,860	$ 32,552	$ (2,349)	$ 297,063	$ 415,428	$ 417,860

(a) Alberta Infrastructure and Transportation transferred ownership of the previously leased Castor Our Lady of the Rosary Hospital and Care Centre and Trochu St. Mary's Health Care Centre to the David Thompson Regional Health Authority effective March 31, 2007.

Note 4 Capital Assets (continued)

(b) Leased equipment

Equipment was acquired through capital leases at a cost of $602,000 with accumulated amortization of $388,000 (2006 $249,000).

Capital assets were funded from the following sources:

	2007	2006
	(thousands of dollars)	
Short-term debt	$ 425	$ 425
Long-term debt (Note 9)	661	857
Unamortized external capital contributions	381,521	381,641
Investment in capital assets from internally funded sources	32,821	34,937
	$415,428	$417,860

Note 5 Loans - Continuing Care Partnership Projects

	2007	2006
	(thousands of dollars)	
Loans receivable		
Continuum Healthcare Corporation	$ 193	$ 229
Voluntary health service providers	19,841	20,498
	$ 20,034	$ 20,727

The Authority has a non-interest bearing forgivable loan with Continuum Healthcare Corporation initiated under the Healthy Aging Partnership Initiative. During the year, $35,872 (2006 $34,048) was forgiven under the terms of the agreement.

The Authority signed contracts with two voluntary health service providers under the Private Public Partnership Initiative (P3) and Health Aging Partnership Initiative (HAPI) to build and operate continuing care and assisted living facilities within the region. The Authority uses the forgivable mortgage model for reporting the contribution and advancement of funds. The provincial government supports partnerships between the Authority and private, public or voluntary organizations by providing a one-time, up-front capital grant. The Authority in turn provides a demand loan to the partner. The partner uses these funds towards the construction of the facility. The loan is repayable on demand, is secured by the facility and is forgivable for services rendered by the owner as per the terms of the contract. During the year, $657,047 (2006 $657,047) was forgiven on the loans receivable.

Pursuant to these contracts, interest has been charged at the bank prime rate (6.00% at March 31, 2007) plus 2% on the loans receivable for a total of $1,692,381 (2006 $1,454,824). This amount is included in investment income. The interest has been forgiven and $1,692,381 (2006 $1,454,824) has been recorded in the facility based continuing care services expenses for the year. The remaining balance of the loans will be forgiven on a straight line basis or repaid over a term of 30 years.

Note 6 Other Assets

	2007	2006
	(thousands of dollars)	
Deferred development cost	$ -	$386
Mineral rights	24	24
Cooperative's shares	3	3
Accrued pension benefit	519	529
	$546	$942

Management has determined that the deferred development costs are no longer recoverable. As a result, these costs have been written off.

The accrued pension benefit relates to the Senior Executive Retirement Plan which is fully funded.

Note 7 Deferred Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
	(thousands of dollars)	
Alberta Infrastructure Renovation Projects	$ 6,503	$4,247
Continuing Care Programs	2,233	1,955
Diagnostic and Therapeutic Programs	211	198
First Nation Programs	211	115
Heart and Stroke Grant	627	700
Hip and Knee Joint Replacement	-	2,725
Information Technology Projects	852	1,003
Mental Health Programs	3,365	2,121
Other	141	5
Physician On Call Program	1,416	1,380
Promotion, Prevention, Protection Programs	2,315	852
Research Projects	109	129
Special Purpose Funds – Donation	7,837	6,198
Telehealth Projects	1,479	775
Total	$27,299	$22,403

Note 8 Deferred Capital Contributions

The deferred capital contribution balance represents amounts accounted for in accordance with the accounting policy described in Note 2(a)(2)(ii).

	2007	2006
	(thousands of dollars)	
Amounts received:		
Restricted Alberta Health and Wellness contributions (Note 13)	$ 15,632	$ 4,330
Restricted other government contributions	-	19,174
Regional Shared Health Information Program	-	289
Donations restricted for capital purposes	346	982
Refunded from PACS Grants	440	-
	16,418	24,775
Transferred from (to):		
Unamortized external capital contributions	(13,179)	(27,240)
Other government contributions (Note 14)	(433)	(422)
Regional Shared Health Information Program	(2,764)	(830)
Deferred contributions	655	-
	(15,721)	(28,492)
Change during the year	697	(3,717)
Balance, beginning of year	26,020	29,737
Balance, end of year	$ 26,717	$ 26,020
Balance at the end of the year is restricted for the following purposes:		
Equipment replacement	6,303	$ 5,593
New construction	20,072	19,946
Regional Shared Health Information Program	342	481
	$ 26,717	$ 26,020

Note 9 Long-term Debt

	2007	2006
	(thousands of dollars)	
Bank loan[1]	$ 447	$ 505
Obligations under capital leases[2]	214	352
	661	857
Current portion	(212)	(210)
	$ 449	$ 647

Future principal payments are estimated as follows:

	Bank Loan	Capital Lease	Total
		(thousands of dollars)	
2008	60	152	212
2009	62	62	124
2010	65	-	65
2011	67	-	67
2012 and thereafter	193	-	193
	$ 447	$ 214	$ 661

(1) The bank loan is due in monthly installments of $6,365 including interest at 4%. It is secured by a general assignment of book debts and matures November 2008.

(2) The capital lease is due in monthly installments of $13,500 including interest at 3%. There is a bargain purchase option of $1 in 2009.

Note 10 Accumulated Deficit

The Authority's accumulated deficit comprises the following:

	2007	2006
	(thousands of dollars)	
Unrestricted net assets	$(25,640)	$(25,737)

Note 11 Commitments and Contingencies

The Authority is contingently liable for the buyback of 31 assisted living units at the option of and at 90% of the original cost to the purchaser. The average cost is $100,000 per unit. However, management feels that these units could be resold and costs recovered and that realistically, the possibility of having to purchase back all units simultaneously is highly improbable.

The Authority has entered into Private Public Partnerships (P3) for the provision of continuing care services. Capital construction is complete on all contracts currently in place. There are ongoing commitments for the Authority to provide operating funds to the P3 partners for the provision of contracted continuing care services. Contracted continuing care services total $27,837,011 on an annual basis, subject to inflation and service requirements.

The Authority is currently at the request for proposal stage for an additional P3 project that would replace 220 continuing care beds in Valley Park Manor and Red Deer Nursing Home.

The Authority has committed to a capital upgrade project at the Red Deer Regional Hospital site in the amount of $100,760,000. Total costs to date are $103,192,149 and total contributions to date are $100,760,000. There are remaining commitments to be incurred over the next fiscal year.

The Authority has committed to a capital upgrade project at the Rimbey Health Centre in the amount of $20,000,000. Total costs to date are $3,516,788 and total contributions to date are $16,500,000. The remaining unfulfilled commitment will be incurred over the next two fiscal years.

The Authority has a commitment to complete the Alberta Hospital Ponoka Redevelopment Phase III Project in the amount of $101,000,000. Total costs to date are $100,525,221 and total contributions to date are $101,000,000. This project has been completed and will be finalized in the next fiscal year.

The Authority has committed to a capital project at the Red Deer Community Health Centre in the amount of $9,700,000. Total costs to date are $2,184,048 and contributions to date total $7,600,000. The commitment will be incurred over the next two fiscal years.

The Authority has committed to a capital project at the Michener Centre Site in Red Deer in the amount of $11,300,000. Total costs to date are $2,086,050. The commitment will be incurred over the next two fiscal years.

Note 11 Commitments and Contingencies (continued)

In order to reduce the effects of fluctuations in exchange rates, the Authority entered into foreign exchange contracts, on behalf of all the participating regions, in relation to USD commitments under the Regional Shared Health Information Program. (See Note 17(c)). Contracts require specified amounts of USD currency be purchased quarterly at set rates. The total of all contracts is $27,800,000 USD ($35,343,940 CAD). During the year, $4,300,000 USD ($5,466,868 CAD) was purchased. For the period April 2007 through September 2007, total commitments are $1,900,000 USD ($2,415,593 CAD).

A statement of claim has been filed for approximately $1.25 billion, naming the Government of Alberta and all employers who participate in the Local Authorities Pension Plan (LAPP), including the Authority, as Defendants. The Statement of Claim includes allegations, which have not been proven in a court, concerning the methodology used to calculate pension benefit payments under LAPP. It is expected that the Government of Alberta will vigorously defend itself against the Claim and will file a statement of defense. As with all lawsuits, the mere commencement of the suit does not itself indicate that the claim has merit. It is therefore not possible at this time to determine the amount, if any, that would be assessed against the Authority if the Claim were successful. Accordingly, no provision has been made in the accounts for this contingency.

Note 12 Budget

	2006/07 Approved Budget[1]	Adjustments[2]	2006/07 Reported Budget
	(thousands of dollars) (unaudited)		
Revenue			
Alberta Health and Wellness contributions	$ 494,339	$ (553)	$ 493,786
Other government contributions	10,732	-	10,732
Fees and charges	31,255	-	31,255
Ancillary operations, net	343	-	343
Donations	751	-	751
Investment and other income	8,898	1,000	9,898
Amortized external capital contributions	23,133	3,000	26,133
TOTAL REVENUE	569,451	3,447	572,898
Expenses			
Facility-based inpatient acute nursing services	147,394	-	147,394
Facility-based emergency and outpatient services	39,018	-	39,018
Facility-based continuing care services	63,641	(553)	63,088
Community-based care	18,209	-	18,209
Home care	22,998	-	22,998
Diagnostic and therapeutic services	99,550	-	99,550
Promotion, prevention and protection services	19,368	-	19,368
Research and education	395	-	395
Administration	26,712	500	27,212
Information technology	15,711	500	16,211
Support services	110,306	-	110,306
Amortization of facilities and improvements	14,759	3,000	17,759
TOTAL EXPENSES	578,061	3,447	581,508
Excess of expenses over revenue	$ (8,610)	$ -	$ (8,610)

(1) The budget was approved by the Board of the Authority on August 9, 2006, and submitted to the Minister of Health and Wellness for approval.

Note 12 Budget (continued)

(2) The Business Plan submitted to Alberta Health and Wellness included significant budget allocations based on management estimates. The budget was subsequently adjusted for actual allocations as they became known.

Note 13 Alberta Health and Wellness Contributions

	2007	2006 (Restated)
	(thousands of dollars)	
Unrestricted contributions	$ 481,561	$ 444,220
Restricted contributions	37,137	22,427
Transfers from deferred contributions	14,051	11,501
Transfers to deferred contributions	(21,504)	(18,100)
Transferred to deferred capital contributions (Note 8)	(15,632)	(4,330)
Restricted contributions made by Alberta Health and Wellness directly to contracted health service operations	187	187
	$ 495,800	$ 455,905

Note 14 Other Government Contributions

	2007	2006
	(thousands of dollars)	
Alberta Government		
Unrestricted Alberta Infrastructure	$ 3,925	$ 5,673
Fair value of rent less rent charges for non-acute care facilities used by the Authority	380	756
Transfers from deferred contributions	2,807	3,201
Transfers from deferred capital contributions (Note 8)	433	422
Workers Compensation Board - refund	1,897	-
Alberta Cancer Board	652	-
	$ 10,094	$ 10,052

Note 15 Ancillary Operations, net

	2007						2006
	Non-Patient Food Services	Assisted Living Condos[1]	Parking Operations	David Thompson Dispensary	TV and Telephone	Total	Total
	(thousands of dollars)						
Revenue	$ 1,762	$ 60	$ 1,145	$ 1,335	$ 132	$ 4,437	$ 7,120
Expenses							
Other expenses	1,590	65	722	1,318	70	4,065	6,682
Amortization	-	-	-	-	-	-	28
	1,590	65	722	1,318	70	4,065	6,710
Excess (deficiency) of revenue over expense	$ (128)	$ (5)	$ 426	$ 17	$ 62	$ 372	$ 410

(1) Includes Designated Assisted Living Housing/hoteling component for only those facilities owned by a health region.

Note 16 Investment and Other Income

	2007	2006
	(thousands of dollars)	
Investment income	$ 3,223	$ 2,951
Transfers from deferred contributions	-	1,074
Other income	9,952	10,754
	$13,175	$14,779

Investment income is comprised of interest, dividends, amortization of discounts (premiums) and net gains on disposal of investments.

Other income is comprised of revenue from vocational rehabilitation programs and various revenue and expense recoveries external to the Authority.

Note 17 Related Parties

(a) Province of Alberta

The Authority is established under the Regional Health Authorities Act. The Minister of Health and Wellness appoints members of the Authority. The Authority is economically dependent upon the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry. Transactions between the Authority and the Province are disclosed in the Statement of operations and in notes to the financial statements.

(b) Health Authorities

The Authority shares a common relationship with other Health Authorities through its relationship with the Province of Alberta. Transactions between the Authority and other Health Authorities are reported in the Statement of operations.

(c) Regional Shared Health Information Program (RSHIP)

The seven non-metro health regions, Aspen Regional Health Authority, Chinook Regional Health Authority, David Thompson Regional Health Authority, East Central Health, Northern Lights Health Region, Palliser Health Region, Peace Country Health, have entered into an agreement under the name Regional Shared Health Information Program (RSHIP), to develop and implement a common, integrated health information system. This standard system will integrate with Alberta's Provincial Electronic Health Record (EHR) initiative.

Note 17 Related Parties (continued)

(c) Regional Shared Health Information Program (RSHIP) (continued)

	2007	2006
	(thousands of dollars)	
Alberta Health & Wellness funding	$ 7,737	$ 1,973
Health Authority contribution	3,080	1,157
Total	$ 10,817	$ 3,130
Reported as follows:		
Expenses	$ 1,021	$ 710
Capital assets	9,876	4,555
Total	$ 10,897	$ 5,265
Excess (deficiency) of expenditures over revenues	$ (80)	$ (2,135)

(d) Foundations

David Thompson Health Region has an economic interest in the following foundations.

	Contributions received by Health Authority	
	Year ended March 31,	
	2007	2006
	(thousands of dollars)	
David Thompson Health Region Foundation	$ 2,815	$ 430
Wetaskiwin Health Foundation	163	515
Drayton Valley Health Services Foundation	74	43
Stettler Health Services Foundation	36	62
Coronation Health Centre Foundation	2	19
Drumheller Area Health Foundation	358	81
Consort Hospital Foundation	-	3
	$ 3,448	$ 1,153

Contributions are comprised of externally restricted amounts for equipment, programs, research and education.

Note 17 Related Parties (continued)

(d) Foundations (continued)

Amounts related to administrative support provided to foundations and the accounts receivable from the foundations at year-end are as follows:

	Administrative Support Year ended March 31,		Accounts Receivable at March 31,	
	2007	2006	2007	2006
	(thousands of dollars)			
David Thompson Health Region Foundation	$ 40	$ 38	$ 309	$ 570
Wetaskiwin Health Foundation	-	-	9	1
Drayton Valley Health Services Foundation	-	-	-	1
Drumheller Area Health Foundation	-	-	(11)	4
	$ 40	$ 38	$ 307	$ 576

Audited financial statements were not available from the foundations at the time of preparation of these financial statements.

Resources of the foundations are restricted by donors for the exclusive use of the hospital or care centre in the community in which the foundation resides.

(e) Contracts with Health Service Providers

The Authority has an economic interest through its contracts with voluntary and private health service providers to provide health services in the region. Funding was provided as follows:

	2007			2006		
	Voluntary Health Service Providers	Private Health Service Providers	Total	Voluntary Health Service Providers	Private Health Service Providers	Total
	(thousands of dollars)					
David Thompson Regional Health Authority funding	$ 17,215	$ 12,910	$ 30,125	$ 15,686	$ 12,071	$ 27,757
Direct Alberta Health & Wellness funding	-	187	187	-	187	187
Fees and charges	3,995	1,725	5,720	4,000	1,720	5,720
	$ 21,210	$ 14,822	$ 36,032	$ 19,686	$ 13,978	$ 33,664

Note 18 Trust Funds

(a) The Authority received funds in trust from Alberta Health & Wellness for the Regional Shared Health Information Program. These amounts are not reported in the statements.

During the year, the Authority received $20,420,000 and disbursed $15,070,000 for costs relating to the project. The balance of funds held by the Authority is $5,350,000.

(b) The Authority received funds in trust from Alberta Health & Wellness for implementation of Continuing Care Health Service Standards for Health Care Aide Education. These amounts are not reported in the statements.

During the year, the Authority received $3,750,000 and disbursed $622,000 for costs relating to the project. The balance of funds held by the Authority is $3,128,000.

Note 19 Pension Costs

The Authority participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The Pension expense recorded in these financial statements is equivalent to the Authority's annual contributions payable. At December 31, 2006, the Local Authorities Pension Plan reported a deficit of $746,651,000 (December 31, 2005 deficit $863,558,000).

The Authority provides a non-contributory defined benefit Supplemental Executive Retirement Plan (SERP) to senior executives. These assets are held in a Trust Fund administered by the Trustee, the Royal Trust Company of Canada. The plan is fully funded at March 31, 2007. The total pension obligation at the end of the fiscal year was $1,221,026 (2006 $961,962).

	2007	2006
	(thousands of dollars)	
Amounts expensed related to:		
Local Authorities Pension Plan	$19,647	$16,734
Supplemental Executive Retirement Plan (Schedule 2)	242	213
	$19,889	$16,947

Note 20 Correction of Prior Year Error

During the year, Alberta Health and Wellness advised the Authority that funds held in trust were not to be reported in the Statement of Financial Position of the Authority. As a result, the statement of financial position has been adjusted removing "Funds Held in Trust Operating" from Contributions receivable from Alberta Health and Wellness, Accounts payable and accrued liabilities and Deferred contributions.

	March 31, 2006 as Originally Stated	Restatement	March 31, 2006 as Restated
	(thousands of dollars)		
Contributions receivable from Alberta Health and Wellness	$ 44,166	$(34,150)	$ 10,016
Accounts payable and accrued liabilities	42,426	$1	42,345
Deferred contributions	56,472	34,069	22,403
	$143,064	$ -	$ 74,764

Note 21 Comparative Figures

Certain 2006 figures have been reclassified and restated to conform to the 2007 presentation.

Note 22 Operating Deficit

The Authority is prohibited by Section 2.9(2) of the Regional Health Authorities Regulation from incurring an annual operating deficit, or if the accumulated surplus is insufficient, providing the Minister of Health and Wellness with a plan to eliminate the accumulated deficit within three years. Discussions are ongoing with the Ministry.

Note 23 Approval of Financial Statements

These financial statements have been approved by the Authority.

Schedule 1

David Thompson Regional Health Authority
Schedule of Expenses by Object
For the Year Ended March 31, 2007
(thousands of dollars)

	2007 Budget	2007 Actual	2006 Actual
Salaries and benefits (Schedule 2)	$ 379,254	$ 379,864	$ 362,994
Contracts with health service operators	36,652	36,032	33,664
Drugs and gases	12,408	12,901	11,866
Medical and surgical supplies	13,328	13,899	12,940
Other contracted services	36,910	37,344	32,968
Interest on long-term debt	32	29	33
Other (1)	75,913	74,331	70,966
Amortization:			
Capital equipment - internally funded	4,602	5,018	3,736
Capital equipment - externally funded	8,706	10,048	7,336
Facilities and improvements	17,759	17,551	13,943
Capital assets write down - equipment	-	-	3,947
Capital assets write down - facilities and improvements	-	-	2,532
	585,564	587,017	556,925
Less amounts reported in ancillary operations (Note 15)	(4,056)	(4,065)	(6,710)
	$ 581,508	$ 582,952	$ 550,215

(1) Other:

Building and equipment maintenance	$ 13,953	$ 15,109
Diagnostic and therapeutic supplies	6,013	5,621
Dietary supplies	6,554	6,647
Insurance	1,763	1,719
Minor equipment purchases	2,039	1,285
Patient transport and staff travel	10,773	11,164
Rental or lease of building and equipment	4,943	4,688
Utilities	13,040	10,544
Other	15,253	14,189
	$ 74,331	$ 70,966

Schedule 2

David Thompson Regional Health Authority
Schedule of Salaries and Benefits
For the Year Ended March 31, 2007
(thousands of dollars)

	2007							2006			
					Severance[4]						
	Number of Individuals[1]	Salaries and Honoraria[2]	Benefits and Allowances[3]	Sub-total	Number of Individuals	Amount	Total	Number of Individuals[1]	Salaries, Honoraria, Benefits[2][3]	Severance[4]	Total
									(Restated)		
Board Compensation											
Chairperson											
Graham, J. - Provincial Business		$ 11	$ -	$ 11		$ -	$ 11		$ 16	$ -	$ 16
- DTRHA Business		31	-	31		-	31		33	-	33
Board Members											
Anderson, C		16	2	18		-	18		18	-	18
Bergman, G		12	-	12		-	12		12	-	12
Dawe, M		17	-	17		-	17		12	-	12
Fowler, R.D.		13	2	15		-	15		17	-	17
Gaunt, I.		15	-	15		-	15		10	-	10
Gillespie, E.S.		13	-	13		-	13		11	-	11
Moore, W.		18	-	18		-	18		19	-	19
Notley, W.		13	1	14		-	14		14	-	14
Pedersen, B		17	2	19		-	19		17	-	17
Posti, H.		13	-	13		-	13		12	-	12
Rooyakkers, K.		19	2	21		-	21		17	-	17
Taylor, S.J.		16	2	18		-	18		16	-	16
Thompson, R.G.		14	-	14		-	14		12	-	12
Urgstad, D.		14	-	14		-	14		12	-	12
Total honoraria		$ 252	$ 11	$ 263		$ -	$ 263		$ 248	$ -	$ 248

David Thompson Regional Health Authority
Schedule of Salaries and Benefits
For the Year Ended March 31, 2007
(thousands of dollars)

	2007								2006			
						Severance[4]						
	Number of Individuals[1]	Salaries and Honoraria[2]	Benefits and Allowances[3]	Supplemental Executive Retirement Plan[5]	Sub-total	Number of Individuals	Amount	Total	Number of Individuals[1]	Salaries, Honoraria, Benefits[2][3]	Severance[4]	Total
										(Restated)		
Staff												
President & CEO	1.00	$ 305	$ 17	$ 80	$ 402	$ -	$ -	$ 402	1.00	$ 371	$ -	$ 371
Management persons reporting to the CEO												
Sr. Vice President & COO - Health Services	1.00	203	21	27	251	-	-	251	1.00	224	-	224
Vice President & COO - Corporate Services	1.00	186	21	15	222	-	-	222	1.00	197	-	197
Vice President - Public Health	1.00	148	23	5	176	-	-	176	1.00	164	-	164
Vice President - Capital Planning & Project Development	1.00	148	21	8	177	-	-	177	1.00	171	-	171
Vice President - Medicine	1.00	299	17	22	338	-	-	338	1.00	360	-	360
Executive Director - Communications & Public Relations	1.00	130	23	-	153	-	-	153	1.00	124	-	124
Director - Corporate & Legislative Affairs	1.00	109	19	-	128	-	-	128	1.00	124	-	124
Sub-total	8.00	1,528	162	157	1,847	-	-	1,847	8.00	1,735	-	1,735
Other management persons reporting to those above	37.25	4,465	783	85	5,333	1	69	5,402	35.09	4,669	10	4,679
Other management	238.62	20,300	3,880	-	24,180	-	-	24,180	235.13	22,947	152	23,099
Medical doctors not included above	3.31	898	79	-	977	-	-	977	2.84	807	-	807
Regulated nurses not included above												
- RNs, Reg. Psych. nurses, Grad nurses	1,463.22	112,468	20,222	-	132,690	-	-	132,690	1,416.12	126,328	-	126,328
- LPNs	423.94	19,465	3,666	-	23,131	-	-	23,131	418.52	20,771	9	20,780
Other health technical and professionals	928.01	58,730	11,104	-	69,834	-	-	69,834	927.09	67,571	-	67,571
Unregulated health service providers	794.26	28,226	5,059	-	33,285	2	15	33,300	758.93	30,909	-	30,909
Other staff	1,901.57	73,496	14,697	-	88,193	3	83	88,276	1,956.77	86,806	32	86,838
Total Staff	5,790.18	318,012	59,490	85	377,587	6	167	377,754	5,750.49	360,808	203	361,011
Total honoraria and staff	5,798.18	$ 319,792	$ 59,663	$ 242	$ 379,697	6	$ 167	$ 379,864	5,758.49	$ 362,791	$ 203	$ 362,994

David Thompson Regional Health Authority
Schedule of Salaries, Honoraria, Benefits, Allowances and Severance
For the Year Ended March 31, 2007

(1) Full Time Equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full-time employee. Total actual discrete number of individuals employed: 9,987 (2006 9,563). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.

'Individuals' are those on salary or wage, including contract persons considered employees under Canada Customs and Revenue Agency (CCRA) guidelines and rulings.

(2) Salaries include regular base pay, overtime, lump sum payments, shift differential, honoraria, sick leave, short-term disability, earned vacation leave and other remuneration.

(3) Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, Canada Pension Plan, employment insurance, workers compensation, professional memberships and tuition.

(4) Severance includes amounts paid directly or indirectly to individuals upon termination, which are not included in salaries, honoraria, benefits and allowances.

(5) Supplemental Executive Retirement Plans (SERP) refers to future supplemental retirement payments to executive officers. Benefit cost for pension benefits earned in SERP for the year ended March 31" are as follows:

	Current Year Service Cost	Prior Year Service Cost	Total Pension Expense
	(thousands of dollars)		
President & CEO	$ 28	$ 52	$ 80
Sr. Vice President & COO - Health Services	10	17	27
Vice President & COO - Corporate Services	6	9	15
Vice President - Public Health	3	2	5
Vice President - Capital Planning & Project Development	4	4	8
Vice President - Medicine	22	-	22
Other management persons reporting to those above	46	39	85
	$ 119	$ 123	$ 242

East Central Health

Financial Statements

March 31, 2007

EAST CENTRAL HEALTH
FINANCIAL STATEMENTS
MARCH 31, 2007

Management's Responsibility for Financial Reporting

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Schedule of Expenses by Object

Schedule 2 – Schedule of Salaries and Benefits

EAST CENTRAL HEALTH

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FINANCIAL STATEMENTS

MARCH 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards, procedures, a formal authorization structure, and satisfactory processes to review internal controls. This system offers management reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded. The Authority has established a code of ethics and corporate directives, which include communication of the code to employees.

The Authority carries out its responsibility for the financial statements through the Committee of the Whole. This Committee meets with management and the external auditor, Auditor General of Alberta, to review financial matters, and recommends the financial statements to the East Central Health Board for approval. The external auditor has free access to the Committee of the Whole.

The external auditor provides an independent audit of the financial statements. His examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and procedures which allow him to report on the fairness of the financial statements prepared by management.

Steve Petz
President and
Chief Executive Officer

Norm Petherbridge, CA
Chief Financial Officer

AUDITOR GENERAL
Alberta

Auditor's Report

To the Members of East Central Health
and the Minister of Health and Wellness

I have audited the statement of financial position of East Central Health (the Authority) as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 17, 2007

EAST CENTRAL HEALTH
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007
(in thousands)

	2007 Actual	2006 Actual
ASSETS		
Current:		
Cash and investments (Note 3)	$ 10,920	$ 12,472
Accounts receivable	7,116	2,147
Contributions receivable from Alberta Health and Wellness	4,604	6,088
Inventories	2,230	637
	24,870	21,344
Non-current cash and investments (Note 3)	25,710	22,355
Capital assets (Note 4)	117,202	100,163
Other assets (Note 5)	708	-
TOTAL ASSETS	$ 168,490	$ 143,862
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 16,585	$ 17,177
Accrued vacation pay	6,435	5,838
Deferred contributions (Note 6)	7,078	4,089
	30,098	27,104
Deferred contributions (Note 6)	519	503
Deferred capital contributions (Note 7)	25,191	21,852
Unamortized external capital contributions	104,391	88,837
	160,199	138,296
Net assets		
Accumulated deficit	(1,520)	(5,760)
Investment in capital assets from internally funded sources	12,811	11,326
Operating net assets	8,291	5,566
TOTAL LIABILITIES AND NET ASSETS	$ 168,490	$ 143,862

The accompanying notes and schedules are part of these financial statements.

EAST CENTRAL HEALTH
STATEMENT OF OPERATIONS
MARCH 31, 2007
(in thousands)

	2007 Budget (Note 9)	2007 Actual	2006 Actual
Revenue			
Alberta Health and Wellness contributions (Note 10)	$ 202,083	$ 204,083	$ 187,661
Other government contributions (Note 11)	4,060	1,784	3,857
Fees and charges	19,707	19,752	19,586
Ancillary operations, net (Note 12)	49	36	50
Donations	-	207	178
Investment and other income (Note 13)	2,707	4,457	2,964
Amortized external capital contributions	5,438	6,214	4,927
TOTAL REVENUE	234,044	236,533	219,223
Expenses (Schedule 1)			
Facility-based inpatient acute nursing services	39,535	39,544	37,998
Facility-based emergency and outpatient services	9,029	9,492	8,966
Facility-based continuing care services	40,631	41,439	39,440
Community-based care	8,805	9,264	8,309
Home care	20,211	20,746	20,160
Diagnostic and therapeutic services	36,026	34,206	33,147
Promotion, prevention and protection services	6,979	6,212	6,044
Research and education	-	-	20
Administration	15,852	15,231	13,721
Information technology	4,110	6,389	2,642
Support services	48,766	47,642	46,323
Amortization of facilities and improvements	3,932	3,784	3,593
TOTAL EXPENSES	233,876	233,949	220,363
Excess (deficiency) of revenue over expenses	$ 168	$ 2,584	$ (1,140)

EAST CENTRAL HEALTH
STATEMENT OF CHANGES IN NET ASSETS
MARCH 31, 2007
(in thousands)

	2007			2006
	Accumulated deficit	Investment in capital assets from internally funded sources	Total	Total
Balance at beginning of year	$ (5,760)	$ 11,326	$ 5,566	$ 6,259
Excess (deficiency) of revenue over expenses	2,584	-	2,584	(1,140)
Capital assets purchased with internal funds	(3,695)	3,695	-	-
Contributed land	-	141	141	447
Amortization of internally funded capital assets	2,351	(2,351)	-	-
Balance at end of year	$ (4,520)	$ 12,811	$ 8,291	$ 5,566

EAST CENTRAL HEALTH
STATEMENT OF CASH FLOWS
MARCH 31, 2007
(in thousands)

	2007		2006
	Budget	Actual	Actual
Cash generated from:			
Operating activities:			
Excess (deficiency) of revenue over expenses	$ 168	$ 2,584	$ (1,140)
Non-cash transactions:			
Amortization of capital equipment:			
internally funded	700	2,315	744
externally funded	1,209	2,467	1,329
Amortization of facilities and improvements	3,265	3,784	3,593
Amortized external capital contributions	(4,472)	(6,215)	(4,886)
Disposals - externally funded	-	(1)	(44)
Loss (Gain) on disposal of capital equipment	-	(26)	27
Changes in non-cash working capital accounts	(336)	(2,084)	3,035
Cash generated from operations	534	2,824	2,658
Investing activities:			
Purchase of capital assets:			
internally funded	(661)	(3,695)	(5,572)
contributed land	-	(141)	(447)
externally funded			
equipment	(2,778)	(4,774)	(2,358)
facilities and improvements	(8,000)	(2,288)	(138)
work in progress	-	(14,708)	(5,500)
Proceeds on disposal of capital assets	-	27	17
Increase in other assets	-	(708)	-
Allocations to non-current cash	10,051	(3,355)	(2,693)
Cash used by investing activities	(1,388)	(29,642)	(16,691)
Financing activities:			
Increase (decrease) in non-current deferred contributions	(872)	16	15
Capital contributions received	1,599	25,250	8,156
Cash generated from financing activities	727	25,266	8,171
Decrease in cash and temporary investments	(127)	(1,552)	(5,862)
Cash and investments, beginning of year	13,015	12,472	18,334
Cash and investments, end of year	$ 12,888	$ 10,920	$ 12,472

EAST CENTRAL HEALTH
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007
(in thousands)

Note 1 Authority, Purpose and Operations

East Central Health (the Authority) was established on June 24, 1994 under the Alberta Regional Health Authorities Act. The Authority is a registered charity under the Income Tax Act and exempt from payment of income tax.

The Authority delivers appropriate, accessible and affordable health services in Alberta, operating programs that promote, protect, maintain, restore and enhance physical and mental well-being.

The Authority's operations include the following facilities and sites:

- Bashaw Community Health Services
- Bashaw Care Centre
- Camrose Community Health Services
- Camrose Mental Health Clinic
- Daysland Health Centre
- Galahad Care Centre
- Hardisty Health Centre
- Hardisty Mental Health Clinic
- Islay Care Centre
- Killam Mental Health Clinic
- Kitscoty Community Health Services
- Lamont Community Health Centre
- Mannville Care Centre
- Myrnam Home Care
- Provost Community Health Services
- Provost Health Centre
- Provost Mental Health Clinic
- Sedgewick Community Health Services
- Tofield Community Health Services
- Tofield Health Centre
- Tofield Mental Health Clinic
- Two Hills Health Centre
- Two Hills Community Health Services
- Vegreville Care Centre
- Vegreville Community Health Services
- Vegreville Mental Health Clinic
- Vermilion Community Health Services
- Vermilion Health Centre
- Vermilion Mental Health Clinic
- Viking Community Health Services
- Viking Health Centre
- Wainwright Community Health Services
- Wainwright Health Centre
- Wainwright Mental Health Clinic
- Willingdon Home Care

The financial statements do not include the assets, liabilities and operations of voluntary or private facilities providing health services in the region, except as disclosed in Note 14.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

(1) The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness' Financial Directive 29.

(2) These financial statements include the following :

(i) The Authority uses the proportionate consolidation method to account for its 11.8% interest in the Regional Shared Health Information Program ("RSHIP") (Note 14(c)).

(ii) The Authority uses the proportionate consolidation method to account for its 50% interest in the Camrose Local Primary Care Initiative and for its 25% interest in the Provost – Consort Primary Care Network (Note 14(d)).

(iii) The financial statements do not include the assets, liabilities or operations of the foundations described in Note 14(e), which are controlled by the Authority

(3) These financial statements use the deferral method, the key elements of which are:

(i) Unrestricted contributions are recognized as revenue in the year receivable.

(ii) Externally restricted non-capital contributions are recognized as revenue in the year proportional to the related expenses incurred.

(iii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Invested amounts are transferred to unamortized external capital contributions and then recognized as revenue in the period the related amortization expense of the capital asset is recorded.

(iv) Endowments and restricted contributions to purchase capital assets that will not be amortized are recorded as direct increases to net assets.

(v) Unrestricted investment income is recognized in the year earned.

(vi) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or deferred and recognized as revenue in the year the related expenses are incurred.

(vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Full Cost

The Authority accounts for all costs of services for which it is responsible. Fair value transactions comprise:

(i) Revenue that contracted health service operators earn from Ministry of Health and Wellness designated fees and charges are recorded as the Authority's fees and charges and as the Authority's contracted health service expense.

(ii) Alberta Health and Wellness direct payments to contracted health service operators are recorded as revenue and as program expense as these payments represent part of the Authority's health program costs.

(iii) Fair value for use of acute care facilities not owned by the Authority is recorded as revenue from other government contributions or donations, and as program expense, since contract payments from the Authority do not include an amount for use of these facilities.

(iv) Fair value for use of non-acute care facilities not owned by the Authority and provided to the Authority at zero or nominal rent is recorded as other government contributions and as program expense.

(v) Other assets, supplies and services that a health authority would otherwise purchase are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. The value of volunteers' contributed services is not reported because a fair value cannot be reasonably determined.

(c) Employee Future Benefits

The Authority participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees, based on years of service and earnings. Defined contribution plan accounting is applied where the Authority has insufficient information to apply defined benefit plan accounting.

Pension costs comprise the employer's contributions for its employees during the year, based on rates expected to provide benefits payable under the pension plan. The Authority does not record its portion of the plan's deficit or surplus.

The Authority has a supplementary defined benefit plan for certain management staff. The Authority's benefit obligations are based on the projected benefit method prorated on services valuation that includes employee service to date and present compensation levels as well as a projection of salaries and service to retirement. No cash payments are made to staff relating to this plan until their retirement. All actuarial gains and losses are recognized as expense in the year incurred.

The Authority fully accrues its obligations for employee non-pension future benefits.

Note 2 Significant Accounting Polic[illegible] and Reporting Practices (continued)

(d) Investments

Non-current investments are recorded at cost unless there was an other-than-temporary impairment in value. At that time, the value is reduced. Discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains and losses on disposal are recognized in the period of disposal.

(e) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, contributions receivable from Alberta Health and Wellness, accounts payable and accrued liabilities and accrued vacation payable approximates their fair value because of the short-term maturity of these items.

(f) Inventories

Inventories are valued at the lower of moving average cost or net realizable value.

(g) Capital Assets

Capital assets and construction and technology projects in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed. Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Land improvements	20 years
Buildings and improvements	40 years
Leasehold improvements	20 years
Furniture and equipment	5-20 years

Construction and technology projects in progress are not amortized until the project is complete.

Leases transferring substantially all benefits and risks of capital asset ownership are reported as capital asset acquisitions financed by unamortized external capital contributions.

(h) Measurement Uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. The amounts recorded for amortization of capital assets and amortization of external capital contributions are based on estimates of the useful life of related assets. Actual results could differ from estimates.

Note 3 Cash and Investments

	2007	2006
Cash	$ 22,562	$ 23,914
Fixed income investments	9,491	7,080
Equities	4,577	3,833
Total current and non-current cash and investments	$ 36,630	$ 34,827
Fair value of cash and investments:		
Cash	$ 22,562	$ 23,915
Fixed income investments	9,602	7,132
Equities	4,939	4,305
	$ 37,103	$ 35,352
Classified as:		
Current	$ 10,920	$ 12,472
Non-current	25,710	22,355
Total cash and investments	$ 36,630	$ 34,827

(a) To optimize returns at an acceptable risk level, management has established a policy asset mix of 5% to 20% for cash and cash equivalents, 50% to 80% for fixed-income investments, 10% to 20% for Canadian equities and 5% to 15% for foreign equities. Risk is reduced through diversification.

(b) Fixed-income securities maturity dates range from June 2007 to December 2105. Bond yields to maturity range from 2.8% to 11.1% as at March 31, 2007 (March 31, 2006 – 2.7% to 11.1%). The weighted average term to maturity is 14.8 years.

Fixed-income securities, such as bonds, have an average effective yield of 4.2% per annum based on the market for securities maturing within a year, 4.6% per annum for securities maturing between 1 and 3 years, 5.2% per annum for securities maturing between 3 and 5 years, 5.1% per annum for securities maturing between 5 and 7 years, 4.9% per annum for securities maturing between 7 and 10 years and 5.2% per annum for securities maturing over 10 years.

(c) As at March 31, 2007, the securities have the following maturity structure:

1 to 5 years	46%
6 to 10 years	27%
Over 10 years	27%

(d) Equities comprise publicly-traded securities in major stock markets. Risk is reduced by prudent security selection and sector rotation.

Note 3 Cash and Investments (continued)

(e) Non-current cash and investments represent the following:

	2007	2006
Externally restricted for capital acquisitions:		
Equipment grants	$ 7,496	$ 779
Infrastructure maintenance program	1,589	1,578
Health Sustainability Initiatives	150	1,386
Major capital projects	14,669	17,636
Information technology projects	1,287	473
Externally restricted for other purposes:		
Healthy Aging Partnership Initiatives	519	503
	$ 25,710	$ 22,355

Note 4 Capital Assets

	Cost				
	Opening Balance April 1, 2006	Transfers from Work in Progress	Additions	Disposals	Closing Balance March 31, 2007
Land	$ 1,534	$ -	$ 140	$ -	$ 1,674
Land improvements	3,019	-	8	-	3,027
Buildings and improvements	134,324	19	2,652	-	136,995
Leasehold improvements	95	-	32	-	127
Furniture and equipment	28,663	13,432	5,293	137	47,251
Construction and technology projects in progress (Note 7)	12,369	(13,451)	17,483	-	16,361
	$ 180,004	$ -	$ 25,606	$ 137	$ 205,487

	Accumulated Amortization					
	Opening Balance April 1, 2006	Current year amortization	Amortization on disposals	Closing Balance March 31, 2007	Net Book Value 2007	Net Book Value 2006
Land	$ -	$ -	$ -	$ -	$ 1,674	$ 1,534
Land improvements	2,104	99	-	2,203	824	915
Buildings and improvements	59,530	3,718	-	63,248	73,747	74,794
Leasehold improvements	47	3	-	50	77	48
Furniture and equipment	18,199	4,746	136	22,784	24,507	10,489
Construction and technology projects in progress (Note 7)	-	-	-	-	16,361	12,369
	$ 79,875	$ 8,566	$ 136	$ 88,285	$ 117,202	$ 100,163

Note 4 Capital Assets (continued)

Capital assets were funded from the following sources:

	2007	2006
Externally funded (unamortized external capital contributions)	$ 104,391	$ 88,837
Investment in capital assets from internally funded sources	12,811	11,326
	$ 117,202	$ 100,163

Note 5 Other Assets

Other assets include the accrued pension benefit relating to the Senior Executive Retirement Plan which is fully funded.

Note 6 Deferred Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
Current		
Alberta Health and Wellness:		
Mental Health Grants	$ 1,982	$ 1,054
Specialists on call program	632	404
Privacy and security	330	344
Healthy Weights	294	-
Immunization Strategy	282	-
Rural on call program	262	261
Surveillance of Immunization Coverage	209	-
Continuing Care - Implement Standards	156	250
Children's health initiative	-	229
Safe Lift Grant	-	533
Various projects <$200,000 each	821	343
	4,968	3,418
Other contributors:		
Primary Care Initiatives	1,227	19
Stroke Strategy	823	612
Various projects <$200,000 each	60	40
	2,110	671
	7,078	4,089
Non-Current		
Alberta Department of Seniors and Community Supports:		
Healthy aging partnership initiatives (HAPI)	519	503
Total	$ 7,597	$ 4,592

Note 7 Deferred Capital Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
Equipment replacement	$ 7,496	$ 779
Information tecnology projects	1,287	473
Infrastructure maintenance program	1,589	1,578
Health Sustainability Initiatives	150	1,386
New construction	14,669	17,636
	$ 25,191	$ 21,852

Note 8 Commitments and Contingencies

(a) Commitments

The Authority contracts on an ongoing basis with voluntary and private health service operators to provide health services (Note 14(g)). The Authority has contracted for services in the year ending March 31, 2008 similar to those provided by these operators in 2007.

In order to manage its exposure to the volatility in the electrical industry, the Board has entered into a five year contract, expiring March 31, 2010, to purchase electrical energy at a fixed price of $54.40 per MWh. Based on 2007 consumption, the annual costs for the year ending March 31, 2008 are expected to be $979.

The Authority is committed to the following construction and technology projects currently in progress and which will be satisfied from externally funded grants:

Vegreville Long Term Care Project	$ 6,441
Vermilion Long Term Care Project	10,019
Viking Acute Care Expansion Project	1,170
Medical Information Technology Inc.	891
	$ 18,521

(b) Contingencies

The Authority has a contingent liability in respect of a claim concerning increased long-term care accommodation charges levied effective August 1, 2003. The claim has been filed against the Province of Alberta and the Regional Health Authorities. The total amount of the claim is in excess of $150 million based on the amount of the increase in accommodation charges levied. The outcome of the claim is not determinable, and no liability is recorded at this time.

Note 9 Budget

	2007 Board Approved Budget (1)	Adjustments (2)	2007 Reported Budget
Revenue			
Alberta Health and Wellness contributions	$ 202,069	$ 14	$ 202,083
Other government contributions	5,526	(1,466)	4,060
Fees and charges	18,994	713	19,707
Ancillary operations, net	49	-	49
Donations	-	-	-
Investment and other income	2,918	(211)	2,707
Amortized external capital contributions	5,438	-	5,438
TOTAL REVENUE	234,994	(950)	234,044
Expenses			
Facility-based inpatient acute nursing services	39,356	179	39,535
Facility-based emergency and outpatient services	8,921	108	9,029
Facility-based continuing care services	40,611	20	40,631
Community-based care	8,774	31	8,805
Home care	20,242	(31)	20,211
Diagnostic and therapeutic services	35,900	126	36,026
Promotion, prevention and protection services	6,965	14	6,979
Research and education	4	(4)	-
Administration	15,795	57	15,852
Information technology	4,107	3	4,110
Support services	50,219	(1,453)	48,766
Amortization of facilities and improvements	3,932	-	3,932
TOTAL EXPENSES	234,826	(950)	233,876
Excess of revenue over expenses	$ 168	$ -	$ 168

(1) The budget was approved by the Board of the Authority on November 16, 2006, and submitted to the Minister of Health and Wellness.

(2) The Business Plan submitted to Alberta Health and Wellness included significant budget allocations based on management estimates. The budget was subsequently adjusted for actual allocations as they became known.

Note 10 Alberta Health and Wellness Contributions

	2007	2006
Unrestricted contributions	195,132	179,602
Transfers from deferred contributions	6,377	4,528
Transfers from deferred capital contributions	2,150	3,376
AH&W payments to contract operators:		
Legacy Mortgage Assistance Program for nursing home upgrades	424	155
	$ 204,083	$ 187,661

Note 11 Other Government Contributions

	2007	2006
Alberta Government:		
Fair value adjustments	$ 1,277	$ 1,451
Transfers from deferred contributions	160	2,077
Alberta Health Authorities:		
Alberta Cancer Board	183	187
Federal Government		
Quality of Worklife project	164	142
	$ 1,784	$ 3,857

Note 12 Ancillary Operations

	2007				2006
	Non-Patient Food Services	Rental Operations	Other	Total	Total
Revenue	$ 580	$ 40	$ 56	$ 676	$ 687
Amortized deferred capital contributions	1	-	-	1	3
	581	40	56	677	690
Expenses	575	20	40	635	633
Amortization	6	-	-	6	7
	581	20	40	641	640
Excess of revenue over expenses	$ -	$ 20	$ 16	$ 36	$ 50

Note 13 Investment and Other Income

	2007	2006
Investment revenue	$ 1,202	$ 1,067
Workers Compensation rebates	680	-
Other revenue	2,575	1,897
	$ 4,457	$ 2,964

Investment income comprises interest, dividends, amortization of discount (premiums) and net gains on disposal of investments.

Other revenue comprises charges for laundry services to continuing care clients, services provided to others and various miscellaneous recoveries.

Note 14 Related Parties

(a) Province of Alberta

The Minister of Health and Wellness appoints members of the Authority. The Authority is economically dependent on the Ministry of Health and Wellness since the viability of its on-going operations depends on contributions from the Ministry. Transactions between the Authority and the Ministry are disclosed in the Statement of Operations and in notes to the financial statements.

(b) Health Authorities

The Authority shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between the Authority and other health authorities are reported in the Statement of Operations.

(c) Regional Shared Health Information Program (RSHIP)

The seven non-metro health regions (Chinook regional Health Authority, Palliser Health Region, David Thompson Regional Health Authority, East Central Health, Aspen Regional Health Authority, Peace Country Health and Northern Lights Health Region) have entered into an agreement under the name Regional Shared Health Information Program (RSHIP), to develop and implement a common, integrated health information system. This standard system will integrate with Alberta's Provincial Electronic Health Record (EHR) initiative.

Note 14 Related Parties (continued)

(c) Regional Shared Health Information Program (RSHIP) (continued)

	2007	2006
Alberta Health and Wellness Funding:		
Initial project grant	$ 5,409	$ 4,564
Picture Archiving (PACS)	2,836	-
Picture Archiving (PACS) (DI Equipment)	1,417	140
Backup Data Centre and software	186	-
Client registry	14	-
Integration grant	16	-
Alberta Infrastructure funding:		
Health Sustainability grant	91	91
Total external funding	9,969	4,795
Health Authority contribution	9,005	6,091
	$ 18,974	$ 10,886

The total costs have been reported as capital assets.

(d) Primary Care Networks

The Authority's share of the following Primary Care Networks are included in the financial statements under the proportionate consolidation method.

Camrose Local Primary Care Initiative	Health Authority's 50% share	
	2007	2006
Opening balance	$ -	$ -
Contributions from Alberta Health and Wellness	1,288	-
Amounts recognized as revenue	(193)	-
Amounts deferred	$ 1,095	$ -

Provost - Consort Primary Care Network	Health Authority's 25% share	
	2007	2006
Opening balance	$ -	$ -
Contributions from Alberta Health and Wellness	96	-
Amounts recognized as revenue	(30)	-
Amounts deferred	$ 66	$ -

Note 14 Related Parties (continued)

(e) Foundations

The following controlled foundations are not consolidated in these financial statements:

(1) Viking Health Foundation

The Viking Health Foundation was established under the authorization of the Minister of Health on June 27, 1997. Representation on its Board consists of 11 members appointed by the Authority. The Viking Health Foundation was created to solicit funds from the public in order to assist the Authority in achieving its health goals for the residents of the Viking community.

	2006	2005
Total assets	$ 1,783	$ 1,684
Total liabilities	(60)	(16)
Net assets	$ 1,723	$ 1,668
Revenue	$ 188	$ 165
Expenses	(123)	(129)
Excess of revenue over expenses	$ 65	$ 36

The resources of the foundation amounting to $1,723 (2005 - $1,668) have been restricted by donors for the exclusive use of the Viking community.

(2) Tofield and Area Health Services Foundation

The Tofield and Area Health Services Foundation was established under the authorization of the Minister of Health on September 10, 2003. Representation on its Board consists of 7 members appointed by the Authority. The Tofield and Area Health Services Foundation was created to solicit funds from the public in order to assist the Authority in achieving its health goals for the residents of the Tofield community.

	2006	2005
Total assets	$ 25	$ 20
Total liabilities	-	-
Net assets	$ 25	$ 20
Revenue	$ 15	$ 22
Expenses	(9)	(18)
Excess of revenue over expenses	$ 6	$ 4

The resources of the foundation amounting to $25 (2005 - $20) have been restricted by donors for the exclusive use of the Tofield community.

Note 14 Related Parties (continued)

(e) Foundations (continued)

	Contributions received by the Authority		Resources held by the Foundation	
	Year ended March 31,		at March 31, 2006	
	2007	2006	Externally Restricted	Unrestricted
Viking Health Foundation	$ 6	$ 6	$ -	$ 1,723
Tofield and Area Health Services Foundation	-	-	-	25
	$ 6	$ 6	$ -	$ 1,748

(f) Other Foundations

The Authority has economic interest in the Daysland General Hospital Foundation and the Wainwright & District Community Health Foundation.

The Authority is permitted to appoint one representative to the Board of Directors of each foundation. These foundations were established to solicit funds from the public in order to assist the Authority in achieving its health goals for the residents of each community.

(g) Contracts with Health Service Providers

The Authority has an economic interest through its contracts with voluntary and private health service providers in the region. Funding was provided as follows:

	2007			2006		
	Voluntary Health Service Providers	Private Health Service Providers	Total	Voluntary Health Service Providers	Private Health Service Providers	Total
Direct Region funding	$ 79,982	$ 10,834	$ 90,816	$ 80,645	$ 10,694	$ 91,339
Direct AH&W funding	-	424	424	-	155	155
Fees and charges	9,026	950	9,976	9,026	950	9,976
Full cost adjustments	828	-	828	828	-	828
Total	$ 89,836	$ 12,208	$102,044	$ 90,499	$ 11,799	$ 102,298

Note 15 Trust Funds

The Authority is providing fiscal management of funds received in trust from Alberta Health and Wellness for the Building Health System Leadership Capacity project, the Alzheimer's Dementia project, Camrose Local Primary Care Initiative and the Provost – Consort Primary Care Network. These amounts are not reported in the statements.

During the year the Authority received $526 and disbursed $266. The balance of funds held by the Authority is $2,826.

Note 16 Pension Costs

	2007	2006
Pension plan expense comprises the following:		
Local Authorities Pension Plan	$ 4,828	$ 4,124
Supplementary defined benefit plan	189	26
	$ 5,017	$ 4,150

(a) The Authority participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan.

At December 31, 2006, the Local Authorities Pension Plan reported an actuarial deficiency of $746,651 (2005 - deficiency of $863,558).

(b) The Authority has a supplementary defined benefit plan for certain management staff. There are no cash payments made to staff relating to this plan until their retirement. The plan's assets will be held in a trust pursuant to a Retirement Compensation Arrangement (as defined by the Income Tax Act). The plan is fully funded. Actuarial valuations are completed annually. The obligation and pension expense can vary with changes in actuarial assumptions used to estimate the obligation.

	2007	2006
Accrued benefit obligation, beginning of year	$ 824	$ -
Past service cost	-	836
Current service cost	67	9
Interest cost	48	5
Actuarial loss (gain)	203	(26)
Accrued benefit obligation, end of year	1,142	824
Funded status of plan (deficit)	(212)	(824)
Unamortized actuarial loss (gain)	189	(26)
Unrecognized initial obligation	731	824
Accrued benefit asset (liability)	708	(26)

Note 16 Pension Costs (continued)

	2007	2006
Current service cost	67	9
Interest cost	48	5
Amortization of prior service costs	95	12
Amortization of net actuarial loss	(3)	-
Expected return on plan assets	(18)	-
Net benefit cost	$ 189	$ 26
Assumptions at end of year		
Discount rate	5.2%	5.4%
Expected average remaining service life of employees	8 years	9 years
Salary scale increases	4%	3% for 4 years, 3.5% thereafter

The above information is based on the annual actuarial valuation performed as of March 31 for each fiscal year.

Plan assets (held by trustee)		
Employer contributions		
Fair value of assets - March 31, 2007	469	-
Plan assets (held by Canada Revenue Agency)		
Employer contributions paid as refundable taxes	461	-
Total plan assets	$ 930	$ -
Funded status of plan - deficit	$ 212	$ 824

Note 17 Accumulated Deficit

The Authority has an accumulated deficit of $4,520 at March 31, 2007 (2006 - $5,760). Per Alberta Regulation 15/95 of the Regional Health Authorities Act, the Authority must provide the Minister with a plan, in writing, that is satisfactory to the minister, to eliminate an accumulated deficit within 3 years of it being incurred.

Note 18 Comparative Figures

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

Note 19 Approval of financial statements

These financial statements have been approved by the Board.

Schedule 1

EAST CENTRAL HEALTH
SCHEDULE OF EXPENSES BY OBJECT
MARCH 31, 2007
(in thousands)

	Budget	2007	2006
Salaries and benefits (Schedule 2)	$ 90,602	$ 89,469	$ 80,810
Contracts with health service providers (Note 14(g))	101,194	102,044	102,298
Drugs and gases	1,641	1,544	1,591
Medical and surgical supplies	1,365	1,602	1,393
Other contracted services	6,673	5,804	5,835
Other [1]	26,600	25,561	23,410
Amortization:			
Capital equipment - internally funded	778	2,315	744
Capital equipment - externally funded	1,772	2,467	1,329
Facilities and improvements	3,932	3,784	3,593
	234,557	234,590	221,003
Less amounts reported in ancillary operations (Note 12)	(681)	(641)	(640)
	$ 233,876	$ 233,949	$ 220,363
[1] Other:			
Utilities	$ 3,159	$ 2,993	$ 2,805
Buildings and ground maintenance	2,684	2,559	3,458
Staff travel costs	1,942	2,232	2,038
Patient transportation	2,210	1,778	1,712
Food supplies	1,764	1,717	1,712
Minor equipment	899	1,641	1,121
Insurance	541	546	505
Other	13,401	12,095	10,059
Total	$ 26,600	$ 25,561	$ 23,410

Schedule 2

EAST CENTRAL HEALTH

SCHEDULE OF SALARIES AND BENEFITS

MARCH 31, 2007

(in thousands)

	2007								2006				
						Severance [5]							
	Number of Individuals [1]	Salaries and Honoraria [2]	Benefits and Allowances [3]	Supplemental Executive Retirement Plan [4]	Sub-total	Number of Individuals	Amount	Total	Number of Individuals [1]	Salaries, Honoraria, Benefits [2,3]	Supplemental Executive Retirement Plan [4]	Severance [5]	Total
Board Compensation													
Chair - E. Andersen	1	$ 42	$ -	$ -	$ 42	-	$ -	$ 42	1	$ 30	$ -	$ -	$ 30
M. Arnold	1	16	-	-	16	-	-	16	1	12	-	-	12
R. Crooker	1	10	-	-	10	-	-	10	1	14	-	-	14
P. Gulak	1	8	-	-	8	-	-	8	1	8	-	-	8
L. Heinemann	1	12	-	-	12	-	-	12	1	1	-	-	1
J. Hunter	1	8	-	-	8	-	-	8	1	10	-	-	10
R. Israelson	1	12	-	-	12	-	-	12	1	13	-	-	13
L. Johnson	1	11	-	-	11	-	-	11	1	10	-	-	10
C. Mastel	1	3	-	-	3	-	-	3	1	5	-	-	5
O. Olineck	1	18	-	-	18	-	-	18	1	14	-	-	14
J. Rudkowsky	1	12	-	-	12	-	-	12	1	2	-	-	2
M. Schreiber	1	10	-	-	10	-	-	10	1	11	-	-	11
M. Zeniuk	-	-	-	-	-	-	-	-	1	3	-	-	3
Total Board Compensation	12	162	-	-	162	-	-	162	13	133	-	-	133

EAST CENTRAL HEALTH
SCHEDULE OF SALARIES AND BENEFITS
MARCH 31, 2007
(thousands of dollars)

	2007								2006				
						Severance [5]							
	Number of FTEs [1]	Salaries and Honoraria [2]	Benefits and Allowances [3]	Supplemental Executive Retirement Plan [4]	Sub-total	Number of Individuals	Amount	Total	Number of FTEs [1]	Salaries, Honoraria, Benefits [2,3]	Supplemental Executive Retirement Plan [4]	Severance [5]	Total
Staff													
Chief Executive Officer [6]	1.0	243	24	99	366	-	-	366	1.0	305	12	-	317
Management persons reporting to the CEO:													
Vice President - Medical Services	1.0	268	21	51	340	-	-	340	1.0	238	9	-	247
Vice President - Operations	1.0	156	23	16	195	-	-	195	1.0	175	2	-	177
Chief Financial Officer	1.0	145	23	12	180	-	-	180	0.9	152	2	-	154
Chief Corporate Services Officer	1.0	145	23	11	179	-	-	179	1.0	157	1	-	158
Director - Communications	1.0	94	18	-	112	-	-	112	1.0	110	-	-	110
Other management persons reporting directly to those above	18.5	1,743	327	-	2,070	-	-	2,070	10.6	1,298	-	-	1,298
Other management	55.3	4,722	931	-	5,653	-	-	5,653	67.6	6,314	-	53	6,367
Regulated nurses not included above													
RN's, Reg. Psych. Nurses, Grad nurses	295.0	21,360	4,254	-	25,614	-	-	25,614	271.6	24,232	-	30	24,262
LPN's	123.2	5,718	1,192	-	6,910	-	-	6,910	118.9	5,894	-	-	5,894
Other health technical and professionals	197.7	13,381	2,601	-	15,982	1	-	15,982	176.2	12,866	-	22	12,888
Unregulated health service providers	307.6	10,054	2,147	-	12,201	-	-	12,201	344.7	10,958	-	5	10,963
Other staff	434.9	15,999	3,481	-	19,480	1	25	19,505	427.9	17,840	-	2	17,842
Total Staff Compensation	1,438.2	74,028	15,065	189	89,282	2	25	89,307	1,423.4	80,539	26	112	80,677
Grand Total		$ 74,190	$ 15,065	$ 189	$ 89,444		$ 25	$ 89,469		$ 80,672	$ 26	$ 112	$ 80,810

Schedule 2 (continued)

EAST CENTRAL HEALTH

SCHEDULE OF SALARIES AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2007

(1) Full Time Equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full-time employee. Total actual discrete number of individuals employed: 2,412 (2006 - 2,450). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.

(2) Salaries include regular base pay, overtime, lump sum payments, shift differential, honoraria, sick leave, short-term disability, earned vacation leave and other remuneration.

(3) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, registered retirement savings plan, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, Canada Pension Plan, employment insurance and workers compensation.

(4) Supplemental Executive Retirement Plans (SERPs) refer to future supplemental retirement payments for executive officers. Costs shown below reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period.

	2007			2006
	Current Service Costs	Prior Service and Other Costs	Total	Total
Chief Executive Officer	$ 32	$ 67	$ 99	$ 12
Vice President - Medical Services	23	28	51	9
Vice President - Operations	5	11	16	2
Chief Financial Officer	4	8	12	2
Chief Corporate Services Officer	3	8	11	1
	$ 67	$ 122	$ 189	$ 26

The accrued obligation for each executive under the SERP is outlined in the following table:

	Accrued obligation March 31, 2006	Changes in accrued obligation	Accrued obligation March 31, 2007
Chief Executive Officer	$ 457	$ 11	$ 468
Vice President - Medical Services	185	161	346
Vice President - Operations	76	71	147
Chief Financial Officer	56	30	86
Chief Corporate Services Officer	50	45	95
	$ 824	$ 318	$ 1,142

(5) Severance includes direct or indirect payments to individuals upon termination, which are not included in salaries, honoraria, benefits and allowances.

(6) The Chief Executive Officer is provided with an automobile. No dollar amount is included under benefits and allowances.

Capital Health

Consolidated Financial Statements

March 31, 2007

CAPITAL HEALTH

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

Management's Responsibility for Financial Reporting

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Schedule 1 – Consolidated Schedule of Expenses by Object

Schedule 2 – Consolidated Schedule of Salaries and Benefits

CAPITAL HEALTH

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

The accompanying consolidated financial statements are the responsibility of management and have been approved by Capital Health. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts that are based on estimates and judgements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising of written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. Capital Health has established a code of ethics and corporate directives, which require communication of the code to employees.

Capital Health members carry out their responsibility for the consolidated financial statements through the Audit Committee. This Committee meets with management, and the Auditor General of Alberta to discuss and review financial matters, and recommends the consolidated financial statements to the Capital Health Board for approval. The Auditor General of Alberta has full and free access to the Audit Committee.

The Auditor General of Alberta provides an independent audit of the consolidated financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allows him to report on the fairness of the consolidated financial statements prepared by management.

Sheila Weatherill
President and
Chief Executive Officer

Allaudin Merali
Executive Vice President &
Chief Financial Officer

May 16, 2007

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Members of Capital Health
and the Minister of Health and Wellness

I have audited the consolidated statement of financial position of Capital Health (the Region) as at March 31, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Region's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Region as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
May 16, 2007

CAPITAL HEALTH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007
(thousands of dollars)

	2007	Restated (Note 3) 2006
ASSETS		
Current assets		
Cash and temporary investments (Note 4)	$ 278,289	$ 247,294
Accounts receivable		
Contributions receivable	50,162	37,192
Other receivables	64,919	58,569
Inventories	22,364	14,337
Prepaid expenses	88,055	97,190
	503,789	454,582
Contributions receivable	154,274	133,581
Loans - long-term care partnership projects (Note 5 (a))	44,658	44,731
Non-current cash and investments (Note 4)	469,535	407,936
Capital assets (Note 6)	1,167,086	995,053
TOTAL ASSETS	$ 2,339,342	$ 2,035,883
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 204,248	$ 184,702
Accrued vacation pay	89,279	81,330
Deferred operating contributions (Note 7)	141,617	150,311
	435,144	416,343
Non-current liabilities		
Deferred operating contributions (Note 7)	3,518	3,290
Deferred capital contributions (Note 8)	609,114	534,263
Deferred contributions - long-term care partnership projects (Note 5 (b))	46,828	48,282
Asset retirement obligation (Note 6 (c))	9,007	413
Life lease deposits (Note 9)	13,345	14,599
	681,812	600,847
Unamortized external capital contributions	1,005,823	865,718
Net assets		
Unrestricted	-	-
Internally restricted funds for designated purposes (Note 10)	68,645	38,239
Accumulated surplus	68,645	38,239
Investment in capital assets from internally funded sources	147,918	114,736
	216,563	152,975
TOTAL LIABILITIES AND NET ASSETS	$ 2,339,342	$ 2,035,883

Commitments and contingencies (Note 11)
Subsequent events (Note 21)
The accompanying notes and schedules are part of these consolidated financial statements

CAPITAL HEALTH
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007		Restated (Note 3) 2006
	Budget (Note 12)	Actual	Actual
Revenue			
Alberta Health and Wellness contributions (Note 13)	$ 2,252,650	$ 2,254,322	$ 2,060,586
Other government contributions (Note 14)	43,827	43,499	40,610
Fees and charges	186,083	182,995	173,311
Ancillary operations, net (Note 15)	6,301	5,607	6,002
Research and education	35,367	38,433	37,828
Investment and other income (Note 16)	83,509	110,191	76,189
Amortization of external capital contributions	70,500	67,112	55,388
TOTAL REVENUE	2,678,237	2,702,159	2,449,914
Expense (Schedule 1)			
Facility-based inpatient acute care services	746,031	726,937	652,019
Facility-based emergency and outpatient services	323,973	329,623	290,214
Facility-based continuing care services	243,351	244,790	221,072
Community-based care	101,852	102,289	86,450
Home care	81,875	78,376	74,254
Diagnostic and therapeutic services	498,726	497,206	449,254
Promotion, prevention and protection services	70,503	67,936	68,122
Research and education	124,847	115,704	105,312
Administration	67,063	66,888	56,204
Information technology	50,434	50,891	41,431
Support services	335,533	331,188	318,367
Amortization of facilities and improvements	34,049	35,289	32,733
TOTAL EXPENSE	2,678,237	2,647,068	2,395,432
Excess of revenue over expense	$ -	$ 55,091	$ 54,482

The accompanying notes and schedules are part of these consolidated financial statements

CAPITAL HEALTH
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007			Restated (Note 3) 2006
	Accumulated Surplus	Investment in Capital Assets	Total	Total
Balance at beginning of year as restated (Note 3)	38,239	$ 114,736	$ 152,975	$ 98,493
Excess of revenue over expense	55,091	-	55,091	54,482
Capital assets purchased with internal funds	(60,767)	60,767	-	-
Amortization on internally funded assets	37,336	(37,336)	-	-
Contribution of land (Note 6)	-	8,497	8,497	-
Life lease deposits repayments	(1,254)	1,254	-	-
Balance at end of year	$ 68,645	$ 147,918	$ 216,563	$ 152,975

The accompanying notes and schedules are part of these consolidated financial statements.

CAPITAL HEALTH
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007		Restated (Note 3) 2006
	Budget	Actual	Actual
Operating activities			
Excess of revenue over expense	$ -	$ 55,091	$ 54,482
Non-cash transactions:			
Amortization of capital equipment - internally funded	42,000	29,758	33,148
Amortization of capital equipment - externally funded	36,451	30,887	25,296
Amortization of facilities and improvements	34,049	37,054	33,119
Amortization of long-term care partnership non-current loan (Note 5)	2,000	1,353	1,234
Amortization of external capital contributions	(70,500)	(67,244)	(55,499)
Amortization of long-term care partnership deferred contributions (Note 5)	(2,000)	(1,353)	(1,234)
Net loss on disposal of capital assets	-	6,881	3,041
Asset retirement obligation	-	8,594	413
Amortization of bond discount	-	1,267	-
Gain on disposal of investments	-	(4,223)	(4,181)
Change in non-cash working capital accounts	1,513	589	50,639
Cash generated by operations	43,513	98,654	140,458
Investing activities			
Purchase of investments	(1,000,000)	(1,572,559)	(97,711)
Purchase of capital assets			
Internally funded	(48,225)	(60,767)	(55,152)
Externally funded			
Equipment	(56,275)	(77,579)	(38,081)
Facilities and improvements	(265,200)	(129,770)	(114,396)
Proceeds on sale of investments	1,000,000	1,522,629	97,819
Long-term care partnership projects (Note 5)	(2,000)	(1,280)	(7,159)
Allocations from non-current cash	14,500	(8,713)	54,536
Cash used for investing activities	(357,200)	(328,039)	(160,144)
Financing activities			
Deferred contributions	-	228	110
Capital contributions (Note 8)	500,000	282,459	244,860
Transfer for asset retirement obligation	-	(427)	-
Long-term care partnership projects (Note 5)	-	67	22
Change in contributions receivable	(184,800)	(20,693)	(130,434)
Principal payments on long-term debt	-	-	(26,666)
Life lease deposits received (repaid)	-	(1,254)	855
Cash generated from financing activities	315,200	260,380	88,747
Increase in cash and temporary investments	1,513	30,995	69,061
Cash and temporary investments at beginning of year (restated note 3)	166,487	247,294	178,233
Cash and temporary investments at end of year	$ 168,000	$ 278,289	$ 247,294

The accompanying notes and schedules are part of these consolidated financial statements.

CAPITAL HEALTH
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2007

Note 1 Authority, Purpose and Operations

Capital Health was established on June 24, 1994 under the authority of the Regional Health Authorities Act, Chapter R-10, Revised Statutes of Alberta 2000. Capital Health is exempt from payment of income tax and is a registered charity under the Income Tax Act.

On May 26, 2003 under a Ministerial Order, the Health Authority was named Capital Health. Capital Health is responsible for the delivery of appropriate, accessible and affordable health services in Alberta. This responsibility includes operating programs designed to promote, protect, maintain, restore and enhance physical and mental well being.

Capital Health's geographic boundaries include the cities of Edmonton, Fort Saskatchewan, Leduc, Spruce Grove and St. Albert; the communities of Devon, Stony Plain, Sherwood Park, Evansburg, Morinville and Redwater; and the counties of Leduc, Parkland, Strathcona, Sturgeon and the eastern part of Yellowhead county.

Capital Health provides a significant amount of services to residents of surrounding northern regions, and for some specialized programs, provides services to all Albertans as well as the western provinces and territories.

Capital Health operations include the following:

a) Acute Care Hospitals, Community Hospitals and Health Centres
   - University of Alberta Hospital
   - Stollery Children's Hospital
   - Royal Alexandra Hospital
   - Glenrose Rehabilitation Hospital
   - Grey Nuns Community Hospital (operated by the Caritas Health Group)
   - Misericordia Community Hospital (operated by the Caritas Health Group)
   - Sturgeon Community Hospital
   - Leduc Community Hospital
   - Devon General Hospital
   - Alberta Hospital Edmonton
   - Fort Saskatchewan Health Centre
   - Redwater Health Centre
   - Westview Health Centre

Note 1 Authority, Purpose and Operations (continued)

b) Innovative Primary Health Facilities
   - Northeast Community Health Centre
   - Health First Strathcona Primary Care Centre
   - Eastwood Primary Health Care Centre

c) Continuing Care Facilities
   - Capital Care Group Inc. (wholly owned subsidiary of Capital Health):
     - Dickinsfield, Grandview, Norwood, Lynnwood, Kipness Centre for Veterans, Strathcona Care Centre, McConnell Care Centres, Laurier Houses, and Strathcona Alzheimer Centre
   - Aspen House
   - Edmonton General Hospital (operated by the Caritas Health Group)
   - Private and Voluntary Continuing Care Providers:
     - 18 providers under contract operating at 34 sites
   - Supportive Living – Private and Voluntary Operators
     - 23 designated assisted living sites
     - 87 support homes

d) Home Care - contracts with 13 agencies, 37 seniors residences/lodges and 328 self managed care contracts with individuals/guardians
e) Public Health Clinics - 22 sites
f) Public Health Speciality Clinics - 5 sites and 4 school health sites
g) Medical Education (residents) - various facilities
h) Research - undertaken at Northern Alberta Clinical Trials Centre and various facilities
i) Laboratory Services - hospital based laboratory services, and services contracted from a private operator
j) Provincial Laboratory at the University of Alberta Hospital site
k) Community Rehabilitation Physiotherapy Clinics at 66 sites under contract and 4 public sites and 23 other contract rehabilitation service agreements (audiology, respiratory therapy, etc.)
l) Ancillary Operations - non-patient food services, parking, and other commercial activities

In meeting its responsibilities under the Regional Health Authorities Act, Capital Health contracts with the Caritas Health Group to provide certain acute care services as an integral part of Capital Health's operations.

These financial statements do not include the assets, liabilities and operations of any voluntary or private facilities providing health services in the region.

Note 2 Significant Accounting Policies and Reporting Practices

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the reporting requirements of Financial Directive 29 issued by Alberta Health and Wellness. Following are the significant accounting policies:

(a) Basis of Presentation

(1) (i) These financial statements have been prepared on a consolidated basis, except that foundations are not consolidated. The entities consolidated are Capital Health and its wholly owned subsidiary, Capital Care Group Inc. (see Note 17).

(ii) Capital Health uses the proportionate consolidation method to account for its 50% interest in the Northern Alberta Clinical Trials Centre joint venture with the University of Alberta.

(iii) Commencing in 2007, Capital Health uses the proportionate consolidation method to account for its 50% interest in each of the six Primary Care Networks;

Edmonton Southside Primary Care Network
Edmonton Oliver Primary Care Network
Westview Primary Care Network
St. Albert and Sturgeon Primary Care Network
Leduc Beaumont Devon Primary Care Network
Edmonton West Primary Care Network

Capital Health applied this change in accounting policy on a retrospective basis and adjusted the 2006 Consolidated Financial Statements to conform with the current year presentation (See Note 3).

(2) These consolidated financial statements have been prepared using the deferral method, the key elements of which are:

(i) Unrestricted operating grants and other contributions are recognized as revenue in the year they become receivable.

(ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year proportional to the related expenses incurred. Unspent contributions are recorded as deferred contributions.

(iii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the capital asset is recorded.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Basis of Presentation (continued)

(iv) Restricted contributions to purchase capital assets which will not be amortized are recorded as direct increases to net assets.

(v) Unrestricted investment income is recognized in the year it is earned.

(vi) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the year the related expenses are incurred.

(vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined and goods or services would have otherwise been purchased.

(viii) Revenue from sale of goods and services is recorded in the period that goods are delivered or services are provided.

(b) Full Cost

Capital Health accounts for all costs and revenues related to services carried out for which it is responsible at fair value. Fair value transactions recorded consist of the following:

(i) Revenue earned by contracted health service operators from Alberta Health and Wellness designated fees and charges are recorded as fees and charges of Capital Health. An equivalent amount is recorded as contracted health service operator expense of Capital Health.

(ii) Payments from Alberta Health and Wellness directly to contracted health service operators for health programs are recorded as revenue. An equivalent amount is recorded as program expenses as these payments represent part of the cost of Capital Health's health programs.

(iii) The fair value for use of acute care facilities not owned by Capital Health is recorded as revenue from other government contributions and as program expense, since contract payments from Capital Health do not include an amount for use of these facilities.

(iv) The fair value for use of non-acute care facilities not owned by Capital Health and provided to Capital Health at zero or nominal rent is recorded as other government contributions and as program expenses.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Full Cost (continued)

(v) Other assets, supplies and service contributions that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers contribute a significant amount of time each year to assist Capital Health in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenue and expenses in the financial statements because fair value cannot be reasonably determined.

(c) Employee Future Benefits

(i) Pension Obligation

Capital Health and its eligible employees participate in the Local Authorities Pension Plan. This is a multi-employer defined benefit pension plan that provides pensions for Capital Health's participating employees, based on years of service and earnings. Defined contribution plan accounting is applied to this plan for which Capital Health has insufficient information to apply defined benefit plan accounting. Pension expense included in these financial statements comprises the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. Capital Health does not record its portion of the pension plan's deficit or surplus.

Capital Health has a supplementary defined benefit plan for certain management staff. Capital Health's benefit obligations are based on the projected benefit method prorated on services valuation that includes employee service to date and present compensation levels as well as a projection of salaries and service to retirement. No cash payments are made to staff relating to this plan until their retirement. Actuarial gains and losses are recognized as expense on a straight-line basis over the average remaining service period of active employees – 5.10 years (2006 – 4.95 years).

(ii) Other Future Benefits

Capital Health provides its employees with basic life, accidental death and dismemberment, short term disability, long term disability, extended health, dental and vision benefits through benefits carriers. Capital Health's contribution, to the extent that they do not relate to discretionary reserves, are recorded as expense.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Employee Future Benefits (continued)

(ii) Other Future Benefits (continued)

Capital Health is obligated to pay out accumulated sick leave credits to certain employees employed prior to April 1, 1975 with five continuous years of permanent service. Those who terminate employment are entitled to collect pay in an amount equivalent to twenty-five percent (25%) of any unexpended sick leave credits.

Capital Health participates in a Supplementary Unemployment Benefit Plan (SUBP). This is a post-delivery disability benefit for female employees who meet certain qualification criteria. Qualifying employees are entitled to a top-up of their Employment Insurance Maternity benefits to a percentage of their regular earnings and to a cost sharing of SUBP premiums during the post-delivery disability period.

Other benefit plans include employee and employer funded healthcare, dental, life insurance and long and short term disability plans.

Capital Health fully accrues its obligations for employee non-pension future benefits.

(d) Investments

Short-term investments are recorded at lower of cost and market value. Non-current investments are recorded at amortized cost. The cost of disposal is determined on the average amortized cost basis. Gains or losses realized on disposal are recognized in the period of disposal. Where there has been a loss in the value of an investment other than a temporary decline, the investment is written down to recognize the loss. The value after write-down is deemed to be the new cost.

(e) Financial Instruments

The carrying value of cash and temporary investments, accounts receivable and accounts payable and accrued vacation pay approximates their fair value because of the short-term maturities of these items.

The fair values of cash and investments are disclosed in Note 4.

Non-current contributions receivable approximate their fair value.

The carrying value of the life lease deposits repayable over a long term at the original values is not discounted. The fair value of the life lease deposits is not practically determinable.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(f) Inventories

Inventories are valued at the lower of cost (defined as moving average cost) and net realizable value.

(g) Capital Assets

Capital assets and construction projects in progress are recorded at cost.

Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

Buildings	2.5% - 5%
Parking lots	5% - 10%
Land improvements	10%
Furniture and equipment	5% - 20%
Equipment under capital lease	5% - 20%
Leasehold improvements	Lease term plus one renewal period

Capital projects in progress are not amortized until the project is complete.

Leases transferring substantially all of the benefits and risks of ownership of capital assets to Capital Health are accounted for as acquisitions of capital assets financed by long-term obligations.

(h) Asset Retirement Obligation

Capital Health recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. Capital Health concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

An asset retirement obligation related to the removal of hazardous material that would be required as part of a capital project is only recognized when there is approval from the Minister of Health and Wellness to proceed with the project.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Trust Funds Received by Capital Health

Capital Health received trust funds from Alberta Health and Wellness that are to be paid to operators of non-owned facilities for capital purposes or facility repairs. In addition, Capital Health administers funds received in trust from Alberta Health and Wellness for specific projects. These amounts are not reflected in the financial statements but are disclosed in Note 19.

(j) Measurement Uncertainty

The consolidated financial statements, by their nature, contain estimates and are subject to measurement uncertainty that affect the reported amounts of assets and liabilities, revenue and expenses at the date of the consolidated financial statements.

Significant estimates include the impact of unsettled labour contracts, employee future benefits, accruals for payroll, capital projects in progress and useful lives of assets. Actual results could differ from these estimates. Changes in estimates are recorded in the accounting period which these changes are determined.

Note 3 Comparative Figures

During the year, Capital Health made the following adjustments to the 2005/06 results:

(a) Asset retirement obligations, which were previously recorded when board approval of a capital project was received, are now recorded when approval has been received from the Minister of Health and Wellness (Note 6 (c)).

(b) Amounts held by benefit carriers for premium stabilization in excess of liabilities of the various employee benefit plans are now recorded (Note 20).

(c) Accounting for Primary Care Networks (PCN's) has been adjusted on a retrospective basis to proportionately consolidate all PCN's that Capital Health jointly controls (Note 17 (c)).

(d) Capital contributions receivable for approved capital projects that were previously recognized when a letter of approval was received, are now recognized when amounts have been approved by Alberta Health and Wellness for payments on projects.

(e) Certain other comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted in the current year.

The following table summarizes the changes to the 2006 comparative figures that have been incorporated in the consolidated financial statements and notes to the financial statements:

	2006						
	As previously stated	(a) Asset retirement obligation	(b) Employee future benefits	(c) Proportionate consolidation of PCN's	(d) Capital Contributions	(e) Other reclassifications[1]	As restated
	(thousands of dollars)						
Current assets	$ 424,909	$ -	$ 18,864	$ 3,481	$ -	$ 7,328	$ 454,582
Contributions receivable	363,282	-	-	-	(299,724)	70,023	133,581
Non-current cash and investments	483,771	-	-	-	-	(75,835)	407,936
Cash internally restricted for life lease	1,516	-	-	-	-	(1,516)	-
Capital assets	1,000,049	(5,015)	-	19	-	-	995,053
Current liabilities	(424,909)	9,450	2,597	(3,481)	-	-	(416,343)
Deferred capital contributions	(833,987)	-	-	-	299,724	-	(534,263)
Unamortized external capital contributions	(865,699)	-	-	(19)	-	-	(865,718)
Asset retirement obligation	-	(413)	-	-	-	-	(413)
Net assets - Internally restricted funds for designated purposes at beginning of year	(6,605)	-	(17,166)	-	-	-	(23,771)
Net assets - Internally restricted funds for designated purposes at end of year	(6,225)	(9,037)	(21,461)	-	-	(1,516)	(38,239)
Investment in capital assets from internally funded sources	(121,267)	5,015	-	-	-	1,516	(114,736)
Excess of revenues over expenses	46,165	4,022	4,295	-		-	54,482

(1) Cash amounts have been segregated between current cash and non-current cash to conform with information specified in Note 4(d). There is no change in the total cash amounts that were previously reported and in the restated amounts.

Note 4 Cash and Temporary Investments

	2007		Restated (Note 3) 2006	
	Cost	Market Value	Cost	Market Value
	(thousands of dollars)			
Cash	$ 549,974	$ 549,974	$ 518,599	$ 518,599
Money market securities	7,903	7,853	11,828	11,497
Bonds	139,296	141,890	91,227	94,027
Equities	50,651	65,285	33,576	46,322
Total	$ 747,824	$ 765,002	$ 655,230	$ 670,445
Classified as:				
Current	$ 278,289		$ 247,294	
Non-current	469,535		407,936	
	$ 747,824		$ 655,230	

(a) Income and financial returns are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur when another party fails to perform according to the terms of the contract. Price risk comprises interest rate risk and market risk. Interest rate risk relates to the possibility that investments will change in value with future fluctuations in market interest rates. Market risk relates to the possibility that investments will change in value due to future fluctuations in market prices.

To earn optimal financial returns at an acceptable level of risk, management has established an asset mix policy of 0 % to 100 % for fixed-income instruments and 0 % to 35 % for equities. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed-income and equity instruments.

(b) Publicly traded fixed-income instruments are managed with the objective of providing optimal returns while maintaining maximum security of capital. Return is optimized within risk constraints on the portfolio by management of portfolio duration and issuer mix.

Fixed-income securities maturity dates range from March 2008 to June 2037. Bond yields to maturity range from 3.93 % to 5.33 % as at March 31, 2007 (March 31, 2006 – 3.55 % to 6.70 %). The weighted average term to maturity is 9.3 years.

Fixed-income securities, such as bonds, have an average effective yield of 4.60 % per annum based on the market for securities maturing within a year, 4.23 % per annum for securities maturing between 1 and 3 years, 4.84 % per annum for securities maturing between 3 and 5 years, 5.43 % per annum for securities maturing between 5 and 7 years, 4.66 % per annum for securities maturing between 7 and 10 years and 5.50 % per annum for securities maturing over 10 years.

Note 4 Cash and Temporary Investments (continued)

(b) (continued)

As at March 31, 2007 the securities have the following term structure based on market.

	2007	2006
	%	%
Under 1 Year	6.3	1.1
1 to 5 years	31.5	24.3
5 to 10 years	38.6	56.6
Over 10 years	23.6	18.0
	100.0	100.0

The carrying value of certain investments is in excess of fair market value at March 31, 2007. The carrying value of equities has been reduced by an amount determined to be the decline in value that is other than temporary.

In circumstances where the decline in carrying value of equities is other than temporary (normally over a three or four year period), the carrying value would be written down to fair market value. Based on a review any decline in carrying value of equities not written down is deemed to be temporary.

(c) Equities are comprised of publicly traded equities in Canadian and United States resident corporations.

(d) Capital Health excludes from current cash funds that are subject to restrictions preventing its use for current purposes. Non current cash includes amounts restricted for commitments and other non current liabilities. Capital Health uses the matching concept where current cash is matched to current liabilities and non current cash to non current liabilities.

Non-current cash and investments held relate to the following:

	2007	Restated (Note 3) 2006
	(thousands of dollars)	
Funds committed for long-term care partnership projects (Note 5)	$ 46,828	$ 48,282
Non-current loan - long-term care partnership projects (Note 5)	(44,658)	(44,731)
Contributions externally restricted for operating purposes	3,518	3,290
Contributions externally restricted for capital purposes (Note 8)	609,114	534,263
Contributions receivable	(154,274)	(133,581)
Asset retirement obligation	9,007	413
	$ 469,535	$ 407,936

Note 5 Long-term Care Partnership Projects

Capital Health uses the Forgivable Mortgage Model for reporting the receipt and advancement of funds for long-term care partnership projects. The Provincial Government supports partnerships between Capital Health and private, public or voluntary organizations by providing a one-time, up-front capital grant to Capital Health. These funds are recorded as deferred contributions – long-term care partnership projects; except for funds used by Capital Care Group Inc. to construct the Strathcona Care Centre and Kipnes Centre for Veterans which are accounted for as deferred capital contributions. Capital Health in turn provides a demand loan to the partner. The partner uses these funds towards the construction of the facility. The loan is forgivable over the useful life of the infrastructure. The loan is repayable on demand, is secured by the facility and is forgivable for services rendered by the owner over the life of the facility. Capital Health does not accrue interest on the loan as Capital Health will forgive the balance of the loan following the expiry of the initial thirty years of use and any extension arrangement (not to exceed ten years).

Capital Health amortizes loans - long-term care partnership projects to facility-based continuing care services and recognizes an equal amount of revenue as other government contributions through the amortization of deferred contributions long-term care partnership projects.

a) Loans – Long-term care partnership projects

	2007	2006
	(thousands of dollars)	
Balance at beginning of year	$ 44,731	$ 38,806
Funds advanced for construction of facilities	1,280	7,159
Amount recognized as facility-based continuing care services expense	(1,353)	(1,234)
Balance at end of year	$ 44,658	$ 44,731

b) Deferred contributions – long-term care partnership projects

	2007	2006
	(thousands of dollars)	
Balance at beginning of year	$ 48,282	$ 49,494
Net interest earned	67	22
Transferred to deferred capital contributions	(168)	-
Amount recognized as other government contribution revenue (Note 14)	(1,353)	(1,234)
Balance at end of year	$ 46,828	$ 48,282

Note 6 Capital Assets

	Cost (thousands of dollars)				
	Restated (Note 3) Opening Balance April, 2006	Transfers from Work in Progress	Additions	Disposals	Closing Balance March 31, 2007
Buildings	$ 1,093,779	$ 30,521	$ 8,139	$ (79)	$ 1,132,360
Parking lots	50,834	-	9,930	-	60,764
Land and improvements	15,915	-	8,497	-	24,412
Furniture and equipment	499,859	1,280	112,419	(11,166)	602,392
Equipment under capital lease	9,532	-	-	-	9,532
Leasehold improvements	11,325	-	-	-	11,325
Projects in progress [1]	142,402	(31,801)	137,628	-	248,229
Intangible asset - leases	8,552	-	-	-	8,552
	$ 1,832,198	$ -	$ 276,613	$ (11,245)	$ 2,097,566

	Accumulated Amortization (thousands of dollars)					
	Restated (Note 3) Opening Balance April, 2006	Current year amortization	Amortization on Disposals	Closing Balance March 31, 2007	Net Book Value 2007	Restated (Note 3) Net Book Value 2006
Buildings	$ 393,254	$ 32,022	$ (19)	$ 425,257	$ 707,103	$ 700,525
Parking lots	27,738	2,551	-	30,289	30,475	23,096
Land and improvements	4,048	4	-	4,052	20,360	11,867
Furniture and equipment	392,227	60,646	(4,346)	448,527	153,865	107,632
Equipment under capital lease	9,532	-	-	9,532	-	-
Leasehold improvements	6,653	723	-	7,376	3,949	4,672
Projects in progress [1]	-	-	-	-	248,229	142,402
Intangible asset - leases	3,693	1,754	-	5,447	3,105	4,859
	$ 837,145	$ 97,700	$ (4,365)	$ 930,480	$ 1,167,086	$ 995,053

[1] Projects in progress include the Mazankowski Alberta Heart Institute, Robbins Pavilion at Royal Alexandra Hospital, bed reclamation projects, other major capital upgrades and information technology projects under development.

On March 31, 2007 Alberta Infrastructure and Transportation contributed to Capital Health properties with a net book value of $8,497. The net book value is reported under land and improvements as a current year addition.

Note 6 Capital Assets (continued)

(a) Land

Land at the following sites has been leased to Capital Health at nominal values:

Site	Leased From	Lease Period
Glenrose Rehabilitation Hospital	Province of Alberta	Expires 2038
Mewburn Veterans Centre	Alberta Cancer Board	Expires 2008
Laurier Houses	Alberta Infrastructure	Expires 2056
McConnell Place North	City of Edmonton	Expires 2035
McConnell Place West	Alberta Infrastructure	Expires 2056

(b) Capital assets have been funded from the following sources:

	2007	Restated (Note 3) 2006
	(thousands of dollars)	
Externally funded (unamortized external capital contributions)	$ 1,005,823	$ 865,718
Internally funded (investment in capital assets)	147,918	114,736
Financed through:		
Life lease deposits (Note 9)	13,345	14,599
	$ 1,167,086	$ 995,053

(c) Asset Retirement Obligation (amounts in thousands of dollars)

Capital Health has recorded a liability for asset retirement obligation of $9,007 (2006 $413). The asset retirement obligation represents the legal obligation to remove asbestos from four Capital Health buildings. Amortization of facilities and improvements includes amortization of $2,104 (2006 $413) related to asset retirement obligation. Interest of $427 is recorded on the asset retirement obligation. Revenue equal to the amortization expense is recorded as amortization of external capital contributions. Revenue equal to interest expense is recorded as other government contributions.

Capital Health Board has approved other capital projects for which asset retirement obligations exist. The asset retirement obligation for these projects will be recorded once approval has been received from the Minister of Health and Wellness to proceed with the projects.

Note 7 Deferred Operating Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	Restated (Note 3) 2006
	(thousands of dollars)	
Current		
Alberta Health and Wellness	$ 87,648	$ 85,221
Other government contributions	2,735	2,518
Research and education	43,129	51,513
Other contributions	8,105	11,059
	141,617	150,311
Non-current	3,518	3,290
	$ 145,135	$ 153,601

Note 8 Deferred Capital Contributions

The deferred capital contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2(a)(2).

	2007	Restated (Note 3) 2006
	(thousands of dollars)	
Amounts received:		
Restricted Alberta Health and Wellness contributions	$ 252,426	$ 212,680
Interest on externally restricted contributions	415	289
Donations restricted for capital purposes	13,814	13,118
Other	15,804	18,773
	282,459	244,860
Transferred from deferred contributions - long term care partnership projects	168	-
Transferred to operating fund for asset retirement obligation	(427)	-
Transferred to unamortized external capital contributions	(207,349)	(152,477)
Change during the year	74,851	92,383
Balance at beginning of year	534,263	441,880
Balance at end of year	$ 609,114	$ 534,263

Balance at the end of the year is restricted for equipment, construction projects, facility upgrades and information technology projects.

Note 9 Life Lease Deposits

Funding for the Laurier House facilities, a project for long-term care residents, is provided by the tenants with a non-interest bearing repayment deposit, for the right to occupy the unit they are leasing. When the life lease agreement is terminated, which may be by death of the tenant or the tenant moving out, the life lease deposit is returned to the tenant without interest and in accordance with the terms of the Life Lease Agreement.

Note 10 Internally Restricted Funds for Designated Purposes

Capital Health's internally restricted funds comprise the following:

	2007	Restated (Note 3) 2006
	(thousands of dollars)	
Internally restricted funds:		
Employee benefits rate stabilization reserve	$ 14,700	$ 18,864
Program funds	11,409	6,045
Equipment and information systems	35,036	13,330
Building funds	7,500	-
	$ 68,645	$ 38,239

Note 11 Commitments and Contingencies

(a) Operating Leases

Capital Health is committed to operating lease payments in future years as follows:

For the year ending March 31	(thousands of dollars)
2008	6,117
2009	4,875
2010	4,299
2011	3,883
2012	1,199
and thereafter	480
	$ 20,853

The leases expire at various dates from 2007 to 2021.

Note 11 Commitments and Contingencies (continued)

(b) Capital Project Commitments

Capital Health has commitments from Alberta Health and Wellness to fund approved capital projects as follows:

	2007
	(thousands of dollars)
Approved capital project funds	$ 1,495,052
Funds received to March 31, 2007	(607,176)
Capital project commitments	$ 887,876

Capital Health has outstanding commitments for capital equipment purchases of $33,499, commitments for information technology projects of $10,628, and capital project commitments of $419,572.

(c) Contracted Health Services

Capital Health contracts on an ongoing basis with voluntary, private and community health service operators to provide acute and continuing care and other health services in the Region. In addition Capital Health has ongoing contracts for laundry and laboratory services. Capital Health has contracted for services in the year ending March 31, 2007 similar to those provided by these operators in 2006.

(d) Contingencies

Capital Health has been named as a defendant in a legal action in respect of increased long-term care accommodation charges levied effective August 1, 2003. The claim has been filed against the Province of Alberta and the Regional Health Authorities. The amount of the claim is in excess of $150 million based on the amount of the increase in accommodation charges levied, which came into effect August 1, 2004. The outcome of the claim is not determinable.

In the ordinary course of operations, various claims and lawsuits are brought against Capital Health. While it is not possible to estimate the ultimate liability with respect to the pending litigation, Capital Health believes there will be no material adverse effect on its financial position.

Note 12 Budget

	Approved Budget[1]	Adjustments[2]	Adjusted Budget
	(thousands of dollars)		
Revenue			
Alberta Health and Wellness contributions	$ 2,233,050	$ 19,600	$ 2,252,650
Other government contributions	48,827	(5,000)	43,827
Fees and charges	186,083	-	186,083
Ancillary operations, net	6,301	-	6,301
Research and education	35,367	-	35,367
Investment and other income	76,209	7,300	83,509
Amortization of external capital contributions	70,500	-	70,500
	2,656,337	21,900	2,678,237
Expense			
Facility-based inpatient acute services	770,631	(24,600)	746,031
Facility-based emergency and outpatient services	284,373	39,600	323,973
Facility-based continuing care services	250,751	(7,400)	243,351
Community based care	92,352	9,500	101,852
Home care	81,875	-	81,875
Diagnostic and therapeutic services	495,926	2,800	498,726
Promotion, prevention and protection services	85,503	(15,000)	70,503
Research and education	107,847	17,000	124,847
Administration	60,463	6,600	67,063
Information technology	43,434	7,000	50,434
Support services	349,133	(13,600)	335,533
Amortization of facilities and improvements	34,049	-	34,049
	2,656,337	21,900	2,678,237
Excess of revenue over expense	$ -	$ -	$ -

(1) The Capital Health Board approved the budget on September 27, 2006.

(2) Adjustments to budget amounts represent reallocation between categories to more closely reflect classification of revenue and expenses in 2007.

Note 13 Alberta Health and Wellness Contributions

	2007	Restated (Note 3) 2006
	(thousands of dollars)	
Unrestricted funding	$ 2,156,691	$ 1,962,354
Transfers from deferred operating contributions	93,710	96,767
Alberta Health and Wellness payments to contract operators:		
Legacy Mortgage Assistance Program for nursing home upgrades	3,921	1,465
	$ 2,254,322	$ 2,060,586

Note 14 Other Government Contributions

	2007	2006
	(thousands of dollars)	
Alberta Infrastructure and Transportation	$ 1,105	$ 1,120
Alberta Mental Health Board	22,574	21,526
School health initiatives	5,275	5,249
Federal government projects	286	360
AADAC smoking cessation	235	166
Fair value of rent less rent charges for non-acute care facilities used by Capital Health	17	17
Fair value of use of non-owned acute care facilities	11,365	10,107
Amortization of long-term care partnership deferred contribution (Note 5)	1,353	1,234
Other	1,289	831
	$ 43,499	$ 40,610

Note 15 Ancillary Operations

	2007 (thousands of dollars)				2006
	Non-Patient Food Services Operations	Other Operations	Parking Operations	Total	Total
Revenue					
Revenue	$ 13,649	$ 16,117	$ 11,719	$ 41,485	$ 45,687
Amortization of external capital contributions	29	57	46	132	111
	13,678	16,174	11,765	41,617	45,798
Expense					
Other expenses	12,822	15,206	5,299	33,327	37,779
Amortization of capital assets	29	57	2,597	2,683	2,017
	12,851	15,263	7,896	36,010	39,796
Excess of revenue over direct expense 2007	$ 827	$ 911	$ 3,869	$ 5,607	$ 6,002
Excess of revenue over direct expense 2006	$ 1,457	$ 833	$ 3,712	$ 6,002	

Note 16 Investment and Other Income

	2007	Restated (Note 3) 2006
	(thousands of dollars)	
Investment income	$ 31,138	$ 23,451
Other contributions	38,389	27,187
Sales and recoveries	40,664	25,551
	$ 110,191	$ 76,189

Investment income comprises interest, dividends, amortization of discount and premiums, net gains and losses on disposal of investments and write-downs of investments to market value.

Note 17 Related Parties

(a) Provincial Government

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

Capital Health is established under the Regional Health Authorities Act. The Minister of Health and Wellness appoints the Board members. Capital Health is economically dependent upon the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry. Transactions between Capital Health and the Province are disclosed in the Consolidated Statement of Operations, and Notes 6, 7, 8, and 13 to the consolidated financial statements.

(b) Health Authorities and Other Related Parties

Capital Health shares a common relationship with other Health Authorities through its relationship with the Province of Alberta. Transactions between Capital Health and other Health Authorities are reported in the consolidated financial statements.

Capital Health had the following transactions with other related parties recorded in the Statement of Financial Position and Statement of Operations at the amounts agreed upon by the parties:

	(in thousands)			
	Receivable from:		Payable to:	
	2007	2006	2007	2006
Post-secondary institutions	$ 28	$ -	$ 3,339	$ 2,745
School boards	-	-	67	16
Health related boards	723	563	23	-
Other health authorities	2,201	879	384	895
	$ 2,952	$ 1,442	$ 3,813	$ 3,656

	(in thousands)			
	Revenue		Expenses	
	2007	2006	2007	2006
Post-secondary institutions	$ 200	$ -	$ 58,847	$ 48,801
School boards	213	5,351	809	1,504
Health related boards	24,874	23,308	127	76
Other health authorities	7,910	4,173	1,644	1,819
	$ 33,197	$ 32,832	$ 61,427	$ 52,200

Note 17 Related Parties (continued)

(c) Primary Care Networks

Capital Health's 50% interest in the Primary Care Networks are included in the financial statements under the proportionate consolidation method. Assets and liabilities of $11,263 and income and expenses of $4,740 have been included in the consolidated financial statements for 2006/07. 2005/06 consolidated financial statement amounts have been retrospectively adjusted to conform to the current year's presentation with the inclusion of assets and liabilities of $3,500 and income and expenses of $845 for the Primary Care Networks.

Contributions from Alberta Health and Wellness are as follows:

	2007	Restated 2006
	(thousands of dollars)	
Opening Balance	$ 3,382	$ -
Contributions from Alberta Health and Wellness	11,584	4,122
Amounts recognized as revenue	(3,955)	(740)
Amounts Deferred	$ 11,011	$ 3,382

(d) Subsidiary Organizations

The financial statements included the accounts of The Capital Care Group that operates continuing care centres in the region.

(e) Foundations

The following controlled foundations are not consolidated in these statements:

- Fort Saskatchewan Hospital Foundation
- Alberta Hospital Edmonton and Community Mental Health Foundation

Amounts held by the Foundations are not significant as they are newly formed in 2007.

Note 17 Related Parties (continued)

(e) Foundations (continued)

Capital Health has an economic interest in the following foundations:

	Contributions Received [1]		Resources Held by Foundations 2007		
	2007	2006	Endowments & Externally Restricted	Internally Restricted	Unrestricted
			(thousands of dollars)		
University Hospital Foundation	$ 11,999	$ 9,058	$ 34,620	$ 8,704	$ 10,529
Royal Alexandra Hospital Foundation	2,771	1,318	13,460	1,147	1,153
Stollery Children's Hospital Foundation	5,943	5,455	3,912	8,753	-
Capital Care Foundation	1,106	2,745	1,067	278	296
Black Gold Health Foundation	16	165	280	63	-
Glenrose Foundation	374	448	981	319	456
Sturgeon Community Hospital Foundation	180	403	815	-	583
Council of Foundations	110	120	-	-	-
Tri Community Health & Wellness Foundation (Stony Plain)	-	-	42	8	47
Devon Hospital Foundation	14	22	40	-	302
	$ 22,513	$ 19,744	$ 55,223	$ 20,292	$ 13,366

[1] Contributions comprise externally restricted amounts for equipment, programs, research and education.

Note 17 Related Parties (continued)

(e) Foundations (continued)

Amounts related to administrative support provided to foundations and the accounts receivable from (payable to) the foundations at year-end are as follows:

	Administrative Support		Accounts Receivable (Payable)	
	2007	2006	2007	2006
	(thousands of dollars)			
University Hospital Foundation	$ -	$ -	$ (222)	$ 416
Royal Alexandra Hospital Foundation	-	-	-	-
Stollery Children's Hospital Foundation	-	-	(5,110)	3,931
Capital Care Foundation	183	108	(165)	-
Black Gold Health Foundation	5	25	(29)	(4)
Glenrose Foundation	75	75	(30)	4
Sturgeon Community Hospital Foundation	-	-	(120)	106
Council of Foundations	-	-	-	-
Tri Community Health & Wellness Foundation (Stony Plain)	-	-	-	-
Devon Hospital Foundation	-	-	3	1
	$ 263	$ 208	$ (5,673)	$ 4,454

(f) Other Voluntary Organizations

Capital Health has an economic interest in the following organizations affiliated with the hospitals:

	Contributions Received		Resources Held by Organizations 2007		
	2007	2006	Endowments & Externally Restricted	Internally Restricted	Unrestricted
	(thousands of dollars)				
The Friends of University Hospital	$ 110	$ 110	$ -	$ -	$ -
Royal Alexandra Hospital Women's Auxiliary	-	-	-	-	-
Sturgeon Healthcare Auxiliary Volunteer Association	-	-	-	-	-
Glenrose Rehabilitation Hospital Women's Auxiliary	-	-	-	-	-
Stony Plain and District Health Centre Auxiliary	12	11	-	-	-
	$ 122	$ 121	$ -	$ -	$ -

Note 18 Surgical Services Contracts

Capital Health has entered into contracts with accredited surgical facilities pursuant to the *Health Care Protection Act* to provide health services. Information on the facilities, contract values and payments is as follows:

Entity	Service	Term of Contract Start Date	Term of Contract End Date	Total Value of Contract	Total Expense 2007	Total Expense 2006
				(thousands of dollars)		
Barry Lycka	Dermatology	1-Apr-06	31-Mar-07	$ -	$ -	$ 38
Don Groot Professional Corporation	Dermatology	1-Apr-06	31-Mar-07	556	380	240
Alberta Eye Institute, Inc.	Ophthalmology	1-Apr-06	31-Mar-07	278	278	254
Coronation Day Surgery Centre	Ophthalmology	1-Apr-06	31-Mar-07	114	114	76
David B. Climenhaga Professional Corporation	Ophthalmology	1-Apr-06	31-Mar-07	296	296	233
Gimbel Eye Centre - Edmonton, Inc.	Ophthalmology	1-Apr-06	31-Mar-07	260	260	202
Royce I.C. Johnson Professional Corporation	Ophthalmology	1-Apr-06	31-Mar-07	236	235	221
Darrell Andrew Paul Gotaas Professional Corporation	Oral Surgery	1-Apr-06	31-Mar-07	92	107	81
E. Christopher Robinson Professional Corporation	Oral Surgery	1-Apr-06	31-Mar-07	62	35	32
E. Wayne Tunis Professional Corporation	Oral Surgery	1-Apr-06	31-Mar-07	57	57	51
Kevin E. Lung Professional Corporation	Oral Surgery	1-Apr-06	31-Mar-07	110	78	96
Randall W. Kreutz Professional Corporation	Oral Surgery	1-Apr-06	31-Mar-07	60	33	43
Sarabjeev Lalh	Oral Surgery	1-Apr-06	31-Mar-07	66	57	19
Terence K. Vankka Professional Corporation	Oral Surgery	1-Apr-06	31-Mar-07	82	66	33
Thomas R. Stevenson Professional Corporation	Oral Surgery	1-Apr-06	31-Mar-07	66	66	55
Walter Dobrovolsky Professional Corporation	Oral Surgery	1-Apr-06	31-Mar-07	110	115	96
Coronation Day Surgery Centre	Otolaryngology	1-Apr-06	31-Mar-07	140	136	123
Coronation Day Surgery Centre	Plastic Surgery	1-Apr-06	31-Mar-07	22	4	8
Plastic & Cosmetic Laser Surgical Centre	Plastic Surgery	1-Apr-06	31-Mar-07	326	344	215
Bays 51 Limited - Morgentaler Clinic	Reproductive Health	1-Apr-06	31-Mar-07	1,950	1,950	1,920
				$ 4,683	$ 4,611	$ 4,036

Note 19 Trust Funds (amounts in thousands of dollars)

Capital Health receives funds in trust from Alberta Health and Wellness for non-owned facilities for capital purposes and facility repairs. These amounts are not reported in the consolidated financial statements. During the year Capital Health received $18,878 (2006 $8,817) and disbursed $12,213 (2006 $11,908) for capital and facility repairs for non-owned facilities. The balance of funds held by Capital Health is $6,568 (2006 $14,509).

Capital Health also receives trust funds from Alberta Health and Wellness for certain special programs that are not reported in the consolidated financial statements. During the year Capital Health received from Alberta Health and Wellness $1,500 for Provincial Perinatal Health Program under a Tripartite Partnership, $425 for Provincial Laboratory HIV Hepatitis B funding and $759 for Enhanced Syphilis testing. The balance of funds held by Capital Health for these types of projects at the end of 2006/07, including interest where applicable, was $3,281 (2006 $4,891).

Note 20 Employee Future Benefits (amounts in thousands of dollars)

(i) Pension Obligation

Capital Health participates in the Local Authorities Pension Plan (LAPP), which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to Capital Health's annual contributions payable. In the current fiscal year employer contribution rates remained at 7.8% for earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 10.6% for earnings above YMPE. The LAPP Board of Trustees cautions that depending on LAPP's return on investments over the next few years and other factors such as interest rates, retirement rates and other demographic cost changes, further rate increases could be necessary. At December 31, 2006 LAPP reported a deficit of $746,651 (2005 - deficit of $863,558).

Capital Health has a supplementary defined benefit plan for certain management staff (Supplementary Executive Retirement Plan). Capital Health paid $120 (2006 - $66) to the plan for payments to retired staff, plan expenses and deposit to the refundable tax account. The plan is secured by a letter of credit from a financial institution. An actuarial valuation of the accrued benefit obligation is completed at the end of each calendar year. The obligation and pension expense can vary with changes in actuarial assumptions used to estimate the obligation. The actuarial valuation assumed a discount rate of 5.25% per annum (2006 – 5.0%) and the rate of compensation increase of 4.0% (2006 – 4.0%). The accrued benefit liability of $5,168 (2006 - $4,334) is included in accounts payable in the Consolidated Statement of Financial Position. This amount is $551 (2006 - $688) less than the actuarially determined accrued benefit obligation due to unamortized net actuarial losses.

Note 20 Employee Future Benefits (continued)

Pension plan expense comprises the following:

	2007	2006
	(thousands of dollars)	
Local Authorities Pension Plan	$ 59,352	$ 56,982
Supplementary defined benefit plan	834	583
	$ 60,186	$ 57,565

(ii) Other Future Benefits

Basic life, accidental death and dismemberment, short term disability, long term disability, extended health, dental and vision benefits are fully funded with benefits carriers. Capital Health paid $29,143 (2006 - $39,161) and drew down its discretionary reserves by $4,364 (2006 - $3,458 increase in discretionary reserves) resulting in a total expense of $33,694 (2006 - $28,703). Discretionary reserves of $14,700 (2006 - $18,864) are held by the benefits carriers in interest bearing accounts and are included in other receivables in the Consolidated Statement of Financial Position. There is no actuarial valuation completed; however, the plan funding for expenses and required reserves is based on actual experience.

Accumulated sick leave credits are calculated based on actual entitlements of current employee staff who qualify for this benefit. A liability of $144 (2006 - $148) and expense of $3 (2006 - $7) is recorded in the consolidated financial statements.

Supplementary unemployment benefit expense is based on actual payments and an accrual for incurred by not reported claims. A liability of $307 (2006 - $260) and expense of $1,455 (2006 - $1,170) is recorded in the consolidated financial statements.

Note 21 Subsequent Events

Subsequent to the year ended March 31, 2007, Alberta Infrastructure and Transportation transferred ownership of St. Joseph's Auxiliary Hospital and Grey Nuns Community Hospital to Capital Health. These transfers will be recorded at net book value provided by Alberta Infrastructure and Transportation.

Note 22 Approval of Financial Statements

These financial statements have been approved by the Capital Health Board.

Schedule 1

CAPITAL HEALTH
CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007 Budget	2007 Actual	Restated (Note 3) 2006 Actual
Salaries, honoraria, benefits, allowances and severance (Schedule 2)	$ 1,226,920	$ 1,226,367	$ 1,111,212
Contracts with health service operators	721,315	720,635	662,635
Medical, consulting and other professional services	191,421	188,787	136,885
Medical and surgical supplies	107,581	105,973	105,908
Drugs and gases	88,534	82,687	85,420
Contracts under the Health Care Protection Act (Note 18)	4,766	4,611	4,036
Interest on long term debt	-	-	2,506
Other[1]	264,002	249,438	232,022
Amortization:			
Capital equipment - internally funded	42,000	29,758	33,148
Capital equipment - externally funded	36,451	30,887	25,296
Facilities and improvements (internally and externally funded)	34,049	37,054	33,119
Net loss on disposal of capital assets	-	6,881	3,041
	2,717,039	2,683,078	2,435,228
Less amounts reported in ancillary operations (Note 15)	(38,802)	(36,010)	(39,796)
	$ 2,678,237	$ 2,647,068	$ 2,395,432

[1] Significant amounts under "Other" include

Office, general supplies and miscellaneous	$ 49,045	$ 48,600
Diagnostic and therapeutic supplies	29,203	26,591
Plant operations	29,629	30,255
Contracted services from non-affiliated health service providers	17,792	14,838
Equipment maintenance, rentals, minor renovations	53,259	48,968
Food supplies	21,091	19,155
Transportation	17,950	16,118

Schedule 2

CAPITAL HEALTH
CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007									Restated 2006				
							Severance (5)							
	Number of Full Time Equivalents (1)	Salaries and Honoraria (2)	Benefits and Allowances (3)	Supplemental Executive Retirement Plan Current Cost (6)	Supplemental Executive Retirement Plan Prior Service and Other Costs (6)	Sub-total Salaries, Benefits and Honoraria	Number of Full Time Equivalents	Amount	Total	Number of Full Time Equivalents	Salaries, Benefits, Honoraria	Supplemental Executive Retirement Plan	Severance	Total
Board Compensation														
Chairperson														
Wilkinson, Neil	1	$ 83	$ -	$ -	$ -	$ 83	$ -	$ -	$ 83	1	$ 79	$ -	$ -	$ 79
Board Members														
Members at March 31, 2007														
Blumenthal, Leonard	1	23	-	-	-	23	-	-	23	1	26	-	-	26
Burch, Bill	1	9	-	-	-	9	-	-	9	1	14	-	-	14
Butti, Olivia	1	28	-	-	-	28	-	-	28	1	28	-	-	28
Crevolin, Pierre	1	6	-	-	-	6	-	-	6	1	8	-	-	8
Dennett, Jack	1	9	-	-	-	9	-	-	9	1	15	-	-	15
Goss, Doug	1	4	-	-	-	4	-	-	4	1	4	-	-	4
Hartwell, Vernon	1	1	-	-	-	1	-	-	1	1	5	-	-	5
Kinsella, Wendy	1	13	-	-	-	13	-	-	13	1	18	-	-	18
Mondor, Al	1	6	-	-	-	6	-	-	6	-	-	-	-	-
Normand, Robert	1	3	-	-	-	3	-	-	3	-	-	-	-	-
Plain, Margaret	1	19	-	-	-	19	-	-	19	1	22	-	-	22
Polowick, Karen M.	-	-	-	-	-	-	-	-	-	1	22	-	-	22
Ramsey, John C.	1	14	-	-	-	14	-	-	14	1	14	-	-	14
Sewell, George	1	9	-	-	-	9	-	-	9	1	10	-	-	10
Wade, Margaret	1	15	-	-	-	15	-	-	15	1	20	-	-	20
Warring, Molly	-	-	-	-	-	-	-	-	-	1	24	-	-	24
Total honoraria	15	$ 242	$ -	$ -	$ -	$ 242	-	$ -	$ 242	15	$ 309	$ -	$ -	$ 309

CAPITAL HEALTH
CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007									Restated 2006				
							Severance (3)							
	Number of Full Time Equivalents (1)	Salaries and Honoraria (2)	Benefits and Allowances (3)	Supplemental Executive Retirement Plan Current Cost (6)	Supplemental Executive Retirement Plan Prior Service and Other Costs (6)	Sub-total Salaries, Benefits and Honoraria	Number of Full Time Equivalents	Amount	Total	Number of Full Time Equivalents	Salaries, Benefits, Honoraria	Supplemental Executive Retirement Plan	Severance	Total
Staff														
Chief Executive Officer	1.00	$ 624	$ 18	$ 111	$ 127	$ 880	-	$ -	$ 880	1.00	$ 621	172	-	$ 793
Management persons reporting to the CEO														
Senior Vice President Facilities Planning & Construction	1.00	309	19	53	46	427	-	-	427	1.00	332	84	-	416
Executive Vice President & Chief Operating Officer - Health Services	1.00	362	18	52	58	490	-	-	490	0.25	340	51	-	391
Vice President - Academic Affairs	1.00	225	-	-	-	225	-	-	225	1.00	216	-	-	216
Executive Vice President & Chief Financial Officer	1.00	413	19	64	68	564	-	-	564	1.00	410	77	-	487
Director - Government Affairs	1.00	155	19	3	11	188	-	-	188	1.00	177	6	-	183
Vice President - Human Resources	1.00	288	19	31	39	377	-	-	377	1.00	309	25	-	334
Vice President - Medical Affairs	1.00	318	20	-	-	338	-	-	338	1.00	377	-	-	377
Senior Vice President - Public Affairs	1.00	208	17	-	-	225	-	-	225	1.00	218	23	-	241
Executive Director	1.00	175	15	9	18	217	-	-	217	1.00	182	5	-	187

CAPITAL HEALTH
CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

	2007									Restated (Note 3) 2006				
							Severance (5)							
	Number of Full Time Equivalents (5)	Salaries and Honoraria (1)	Benefits and Allowances (2)	Supplemental Executive Retirement Plan Current Cost (3a)	Supplemental Executive Retirement Plan Prior Service and Other Costs (3b)	Sub-total Salaries, Benefits and Honoraria	Number of Full Time Equivalents	Amount	Total	Number of Full Time Equivalents	Salaries, Benefits, Honoraria	Supplemental Executive Retirement Plan	Severance	Total
Other management person(s) reporting to those above (avg. 2007 $103, avg. 2006 $98) (excluding severance)	1,026	$ 88,140	$ 17,298	$ 98	$ 46	$ 105,582	11	$ 722	$ 106,304	902	$ 87,823	$ 140	$ 628	$ 88,591
Medical doctors not included above (avg. 2007 $201, avg. 2006 $195) (excluding severance)	32	5,793	627	-	-	6,420	-	-	6,420	32	6,218	-	-	$ 6,218
Regulated nurses not included above														
-RNs, Reg. Psych. Nurses, Grad Nurses (avg. 2007 $92, avg. 2006 $90) (excluding severance)	5,027	395,047	66,687	-	-	461,734	4	118	461,852	4,779	428,263	-	75	428,338
- LPNs (avg. 2007 $58, avg. 2006 $55) (excluding severance)	817	40,502	7,221	-	-	47,723	-	-	47,723	784	42,586	-	-	42,586
Other health technical and professionals (avg. 2007 $85, avg. 2006 $83) (excluding severance)	2,593	186,081	33,096	-	-	219,177	4	39	219,216	2,402	199,734	-	134	199,868
Unregulated health service providers (avg. 2007 $48, avg. 2006 $45) (excluding severance)	1,210	48,767	9,380	-	-	58,147	-	-	$ 58,147	1,200	54,440	-	1	54,441
Other frontline staff (avg. 2007 $52, avg. 2006 $49) (excluding severance)	6,245	271,507	50,831	-	-	322,338	10	194	322,532	5,830	286,860	-	276	287,136
Total	16,975	$ 1,039,156	$ 185,304	$ 421	$ 413	$ 1,225,294	29	$ 1,073	$ 1,226,367	15,953.25	$ 1,109,515	$ 583	$ 1,114	$ 1,111,212

Schedule 2 (continued)

CAPITAL HEALTH
CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007

1. Full time equivalent (FTE) is calculated based on a weighted average number of individuals occupying a category or position for the year based on a standard work year of 2,022.75 hours, except for named individuals.

   Total actual discrete number of individuals employed were 30,352 (2006 27,857)

2. Salaries include regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.

3. Benefits and allowances include the employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, unemployment insurance, workers compensation, car benefits and allowances, and tuition. The President & CEO and certain other senior executives are also provided with an automobile or equivalent allowance.

4. Severance expenses include amounts paid in lieu of notice and certain other severance related costs. Numbers of staff reported under the severance category are the discrete numbers of people receiving severance.

5. The average salary and benefits amounts exclude severance payments.

6. The accrued obligation by executives under the Supplementary Executive Retirement Plan is as follows:

	Accrued Obligation March 31, 2006	Current Costs	Prior Service and other Costs	Accrued Obligation March 31, 2007	Unamortized Past Year Costs [1]	Liability March 31, 2007
Chief Executive Officer	$ 1,377	$ 111	$ 127	$ 1,615	$ 130	$ 1,745
Senior Vice President Facilities Planning & Construction	697	53	46	796	10	806
Executive Vice President & Chief Operating Officer - Health Services	222	52	58	332	118	450
Executive Vice President & Chief Financial Officer	429	64	68	561	108	669
Director Government Affairs	38	3	11	52	9	61
Vice President - Human Resources	278	31	39	348	60	408
Executive Director	97	9	18	124	38	162
Others	1,196	98	46	1,340	78	1,418
	$ 4,334	$ 421	$ 413	$ 5,168	$ 551	$ 5,719

[1] As explained in Note 20(i), this amount has been actuarially determined as an accrued benefit obligation due to unamortized net actuarial losses. This increases the total liability for the pension obligation.

ASPEN REGIONAL HEALTH AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2007

Statement of Management Responsibility

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Schedule of Expenses by Object

Schedule 2 - Schedule of Salaries and Benefits

ASPEN REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FINANCIAL STATEMENTS

MARCH 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards, procedures, a formal authorization structure, and satisfactory processes to review internal controls. This system offers management reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded. The Authority has established a code of ethics and corporate directives, which include communication of the code to employees.

The Authority carries out its responsibility for the financial statements through the Finance Committee. This Committee meets with management and the external auditor, PricewaterhouseCoopers LLP, to review financial matters, and recommends the financial statements to the Aspen Regional Health Authority Board for approval. The external auditor has full and free access to the Finance Committee.

The external auditor, PricewaterhouseCoopers LLP, provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

Andrew Will
President and Chief Executive Officer

Shelly Pusch
Vice President Corporate Services

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June 28, 2007

Auditors' Report

To the Members of
Aspen Regional Health Authority and the Minister of Alberta Health and Wellness

We have audited the statement of financial position of Aspen Regional Health Authority (the "Authority") as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

ASPEN REGIONAL HEALTH AUTHORITY
STATEMENT OF FINANCIAL POSITION
March 31, 2007
(in thousands)

	2007 Actual	2006 Actual
ASSETS		
Current:		
Cash and investments (Note 3)	53,059	47,061
Accounts receivable	4,956	5,675
Contributions receivable from Alberta Health and Wellness	5,146	3,472
Inventories	1,662	1,483
Prepaid expenses	1,506	1,420
	66,329	59,111
Non-current cash and investments (Note 3)	20,047	16,347
Capital assets (Note 4)	155,464	149,110
Other assets (Note 5)	2,381	2,464
TOTAL ASSETS	$ 244,221	$ 227,032
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	19,049	19,757
Accrued vacation pay	11,077	10,180
Deferred contributions (Note 6)	13,915	11,512
	44,041	41,449
Deferred contributions (Note 6)	2,381	2,464
Deferred capital contributions (Note 7)	28,757	22,865
Unamortized external capital contributions	142,333	137,387
	217,512	204,165
Net assets:		
Accumulated surplus (Note 8)	13,578	11,144
Investment in capital assets (from internally funded sources)	13,131	11,723
	26,709	22,867
TOTAL LIABILITIES AND NET ASSETS	$ 244,221	$ 227,032

The accompanying notes and schedules are part of these financial statements.

ASPEN REGIONAL HEALTH AUTHORITY
STATEMENT OF OPERATIONS
March 31, 2007
(in thousands)

	2007 Budget (Note 10)	2007 Actual	2006 Actual
Revenue			
Alberta Health and Wellness contributions (Note 11)	223,093	224,839	203,665
Other government contributions (Note 12)	1,291	1,150	1,372
Fees and charges	22,675	23,402	22,077
Ancillary operations, net (Note 13)	245	240	291
Donations	350	533	354
Investment and other income (Note 14)	6,621	7,874	6,378
Amortized external capital contributions	7,891	8,403	7,891
TOTAL REVENUE	262,166	266,441	242,028
Expenses (Schedule 1)			
Facility-based inpatient acute nursing services	38,100	38,855	35,124
Facility-based emergency and outpatient services	22,859	22,283	22,331
Facility-based continuing care services	33,165	31,056	28,915
Community-based care	15,317	15,323	13,647
Home care	14,216	13,546	12,980
Diagnostic and therapeutic services	49,523	49,302	44,728
Promotion, prevention and protection services	11,181	11,061	10,364
Administration	10,934	10,913	10,527
Information technology	4,837	6,038	3,960
Support services	55,419	59,007	52,945
Amortization of facilities and improvements	5,229	5,215	5,190
TOTAL EXPENSES	260,780	262,599	240,711
Excess (deficiency) of revenue over expense	$ 1,386	$ 3,842	$ 1,317

STATEMENT OF CHANGES IN NET ASSETS
March 31, 2007
(in thousands)

	2007 Accumulated surplus (Note 8)	2007 Investment in capital assets from internally funded sources	2007 Total	2006 Total
Balance at beginning of year	11,144	11,723	22,867	21,550
Excess of revenue over expense	3,842	-	3,842	1,317
Capital assets purchased with internal funds	(3,315)	3,315	-	-
Amortization on internally funded capital assets	1,907	(1,907)	-	-
Balance at end of year	$ 13,578	$ 13,131	$ 26,709	$ 22,867

ASPEN REGIONAL HEALTH AUTHORITY
STATEMENT OF CASH FLOWS
March 31, 2007
(in thousands)

	2007 Budget	2007 Actual	2006 Actual
Cash generated from (used by):			
Operating activities:			
Excess (deficiency) of revenue over expense	1,386	3,842	1,317
Non-cash transactions:			
Amortization of capital equipment:			
- internally funded	1,603	1,802	1,603
- externally funded	2,761	3,271	2,761
- ancillary operations	4	4	4
Amortization of facilities and improvements:			
- internally funded	99	100	99
- externally funded	5,130	5,132	5,130
- ancillary operations	27	32	27
Amortized external capital contributions	(7,891)	(8,403)	(7,891)
- ancillary operations	(31)	(36)	(31)
Amortization of advances under long term care partnerships	-	83	83
Amortized long term care partnership contributions	-	(83)	(83)
Loss on disposal of capital equipment:			
- internally funded	-	5	-
Gain on disposal of investments	-	(553)	(669)
Transferred to deferred contributions	39	731	2,295
Changes in non-cash working capital account	-	1,372	1,850
Cash generated from (used) by operations	3,127	7,299	6,495
Investing activities:			
Purchase of investments	(50,000)	(45,292)	(53,086)
Purchase of capital assets:			
- internally funded equipment	(3,887)	(951)	(1,057)
- internally funded facilities & improvements	-	(2,364)	(2,758)
- externally funded equipment	(5,771)	(1,871)	(2,925)
- externally funded facilities & improvements	(16,784)	(11,514)	(23,690)
Proceeds on sale of investments	50,000	44,608	51,606
Allocations from (to) non-current cash	-	(2,463)	3,577
Cash used by investing activities	(26,442)	(19,847)	(28,333)
Financing activities:			
Capital contributions received	5,732	18,546	18,317
Cash generated from financing activities	5,732	18,546	18,317
Increase (decrease) in cash and investments	(17,583)	5,998	(3,521)
Cash and investments, beginning of year	47,061	47,061	50,582
Cash and investments, end of year	$ 29,478	$ 53,059	$ 47,061

ASPEN REGIONAL HEALTH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007
(in thousands)

Note 1 Authority, Purpose and Operations

The Aspen Regional Health Authority (the "Authority") was established June 24, 1994 under authority of the Regional Health Authorities Act. The Authority is a registered charity under the Income Tax Act and exempt from payment of income taxes.

The Authority delivers appropriate, accessible and affordable health services in Alberta, operating programs that promote, protect, maintain, restore and enhance physical and mental well-being.

The Authority's operations include the following facilities and sites:

Athabasca Healthcare Centre	Slave Lake Healthcare Centre
Barrhead Healthcare Centre	Smoky Lake Continuing Care Centre
Boyle Healthcare Centre	St. Therese - St. Paul Healthcare Centre
Cold Lake Healthcare Centre	Swan Hills Healthcare Centre
Dr W.R. Keir - Barrhead Continuing Care Centre	Wabasca/Desmarais Healthcare Centre
Edson Healthcare Centre	Westlock Healthcare Centre
Elk Point Healthcare Centre	Westlock Continuing Care Centre
George McDougall - Smoky Lake Healthcare Centre	Whitecourt Healthcare Centre
Hinton Healthcare Centre	William J. Cadzow - Lac La Biche Healthcare Centre
Mayerthorpe Healthcare Centre	Aspen Community Services Sites
Radway Continuing Care Centre	Aspen Mental Health Sites
Seton - Jasper Healthcare Centre	Aspen Corporate and Administrative Offices

The financial statements do not include the assets, liabilities and operations of voluntary or private facilities providing health services in the region, except as disclosed in Note 15(e).

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

(1) The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Financial Directive 29 issued by Alberta Health and Wellness. Following are the significant accounting policies:

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Basis of Presentation (continued)

(2) The authority participates in the Regional Shared Health Information Program (RSHIP), a special purpose, limited liability, not-for-profit company incorporated under the laws of Alberta as disclosed in note 15(c). The Authority accounts for its 16% interest in RSHIP on a proportionate consolidation basis.

(3) These financial statements use the deferral method, key elements of which are:

(i) Unrestricted contributions are recognized as revenue in the year receivable.

(ii) Externally restricted contributions are recognized as revenue in the year proportional to the related expenses incurred.

(iii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Invested amounts are transferred to unamortized external capital contributions and then recognized as revenue in the period the related amortization expense of the capital asset is recorded.

(iv) Restricted contributions to purchase capital assets that will not be amortized are recorded as direct increases to net assets.

(v) Unrestricted investment income is recognized in the year earned.

(vi) Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as a direct increase to net assets, or deferred and recognized as revenue in the year the related expenses are incurred.

(vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(b) Full cost

The Authority accounts for all costs of services for which it is responsible. Fair value transactions comprise:

(i) Revenue that contracted health service operators earn from Ministry of Health and Wellness designated fees and charges are recorded as the Authority's fees and charges. An equivalent amount is recorded as contracted health service expense of the Authority.

(ii) Alberta Health and Wellness direct payments to contracted health service operators are recorded as revenue and as program expense as these payments represent part of the cost of the Authority's health program costs.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Full cost (continued)

(iii) Fair value to use acute care facilities not owned by the Authority is recorded as revenue from other government contributions or donations, and as program expense, since contract payments from the Authority do not include an amount for use of these facilities.

(iv) Fair value for use of non-acute care facilities not owned by the Authority and provided to the Authority at zero or nominal rent is recorded as other government contributions and as program expense.

(v) Other assets, supplies and services that a health authority would otherwise purchase are recorded as revenue and expense, at fair value at the date of contribution, when a fair value can be reasonably determined. The value of volunteers' contributed services is not reported because a fair value cannot be reasonably determined.

(c) Employee Future Benefits

The Authority participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees, based on years of service and earnings. Defined contribution plan accounting is applied where the authority has insufficient information to apply defined benefit plan accounting.

Pension costs in the statements comprise the employer's contributions required for its employees during the year, based on rates expected to provide benefits payable under the pension plans. The Authority does not record its portion of the plans' deficit or surplus.

The Authority fully accrues its obligations for employee non-pension future benefits.

(d) Investments

Non-current investments are recorded at cost unless there was an other-than-temporary impairment in value. At that time, the value is reduced. Discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains or losses on disposal are recognized in the period of disposal.

(e) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, contributions receivable from Alberta Health and Wellness, accounts payable and accrued liabilities, and accrued vacation pay approximates their fair value because of the short-term maturity of these items.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(f) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the moving average method.

(g) Capital Assets

Capital assets and work in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed. Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Land improvements	8-20 years
Buildings	15-45 years
Building service equipment	10-20 years
Equipment	3-20 years

Work in progress is not amortized until the project is complete.

(h) Measurement Uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Amounts recorded for amortization of external capital contributions are based on estimates of the useful life of related assets. Actual results could differ from these estimates.

Note 3 Cash and Investments

	2007	2006
Cash	54,014	45,509
Treasury bills	104	337
Money market securities	391	463
Bonds (market value 2007 - $12,973, 2006 - $11,668)	12,864	11,675
Equities (market value 2007 - $8,074, 2006 - $7,476)	5,733	5,424
Total current & non-current cash and investments	$ 73,106	$ 63,408
Classified as:		
Current	53,059	47,061
Non current	20,047	16,347
Total cash and investments	$ 73,106	$ 63,408

(i) Treasury bills mature between June 14, 2007 and June 28, 2007 and bear interest at an average of 4.16% paid annually.

(ii) Money market securities bear interest at 4.16% paid annually.

(iii) To optimize returns at an acceptable risk level, management has established a policy asset mix such that no more than 40% of the portfolio will be in equities and of the total equity no more than 5% of the total will be in US equity securities. Risk is reduced through diversification within and among asset classes, and quality constraints on fixed-income and equity instruments.

(iv) Fixed-income securities, such as bonds, have an average effective yield of 4.715% per annum based on the market for securities maturing in a year, and 4.60% per annum for securities maturing between one and twenty-six years. As at March 31, 2007, the securities have the following maturity structure:

	%
Under 1 year	12%
1 to 5 years	7%
5 to 10 years	61%
Over 10 years	20%

(v) Equities comprise publicly traded equities. Risk is reduced by prudent security selection and sector distribution.

Non-current cash and investments represent the following:

Externally restricted for capital acquisitions	3,000	922
Internally restricted for capital acquisitions	8,485	8,485
Unrestricted non-current investments	8,562	6,940
	$ 20,047	$ 16,347

Note 4 Capital Assets

Capital Asset	Cost				
	Opening Balance April 1, 2006	Transfers from Work in Progress	Additions	Disposals	Closing Balance March 31, 2007
Land	2,597	-	187	-	2,784
Land improvements	5,685	-	25	-	5,710
Buildings	193,062	938	-	-	194,000
Building service equipment	11,913	-	-	(11)	11,902
Equipment	60,184	9,531	2,822	(1,215)	71,322
Construction in progress	32,988	(10,469)	13,666	-	36,185
	$ 306,429	$ -	$ 16,700	$ (1,226)	$ 321,903

Capital Asset	Accumulated Amortization				Net Book Value 2007	Net Book Value 2006
	Opening Balance April 1, 2006	Current Year Amortization	Amortization on Disposals	Closing Balance March 31, 2007		
Land	-	-	-	-	2,784	2,597
Land improvements	4,231	218	-	4,449	1,261	1,454
Buildings	96,917	4,809	-	101,726	92,274	96,145
Building service equipment	10,084	237	(11)	10,310	1,592	1,829
Equipment	46,087	5,077	(1,210)	49,954	21,368	14,097
Construction in progress	-	-	-	-	36,185	32,988
	$ 157,319	$ 10,341	$ (1,221)	$ 166,439	$ 155,464	$ 149,110

Capital assets were funded from the following sources:

	2007	2006
Externally funded	142,333	137,387
Internally funded	13,131	11,723
	$ 155,464	$ 149,110

Note 5 Other Assets

	2007	2006
Advances under long-term care partnership agreements	2,464	2,547
Amortized during the year	(83)	(83)
Balance, end of year	$ 2,381	$ 2,464

Funds received from Alberta Infrastructure for the purpose of providing facility based continuing care to the region's residents are recorded as non-current deferred contributions. Advances made to private health service contract operators for the construction of continuing care facilities in the region are recorded as a non-current advance.

The Authority uses the Forgivable Mortgage Model for reporting the contribution and advancement of funds as per Alberta Health and Wellness guidelines for accounting for long-term care partnerships. The provincial government supports partnerships between the Authority and private organizations by providing a one-time, up-front capital grant to the Authority. The Authority in turn provides a demand loan to the partner. The partner uses these funds towards the construction of the facility. The loan is forgivable over the useful life of the infrastructure. The loan is repayable on demand, is secured by the facility and is forgivable for services rendered by the owner over the life of the facility. Under the terms of this agreement, the Authority provides the private operator with an amortizable advance secured on the construction costs of the facility. This advance is to be amortized over 40 years, which is equivalent to the term of the partnership agreement plus a renewable option period. The Authority does not accrue interest on the loan as the Authority will forgive the balance of the loan following the expiry of the term of the agreement.

Note 6 Deferred Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
Current		
AHW - Continuing Care	1,633	616
AHW - Mental Health Innovation	1,229	910
AHW - Specialist On Call	1,186	1,103
AHW - Health Promotion	294	252
AHW - Aboriginal Health Strategies	248	260
AHW - Telehealth	400	104
AHW - Immunization	716	246
AHW - Security of Systems	413	526
AHW - RSHIP	-	283
AHW - Health Innovation	170	655
AHW - Other	75	226
AHW - Infrastructure Maintenance	5,659	4,789
Stroke Strategy	887	611
Donations	898	850
Other	107	81
	13,915	11,512
Non-current		
Alberta Infrastructure - Long term care partnerships	2,381	2,464
Total	$ 16,296	$ 13,976

Note 7 Deferred Capital Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
Equipment replacement	4,075	-
Equipment replacement - RSHIP	348	-
Betterment of capital assets	6,877	5,220
New Construction	17,457	17,645
	$ 28,757	$ 22,865

Note 8 Accumulated Surplus

The Authority's accumulated surplus comprises the following:

	2007	2006
Unrestricted net assets	5,093	2,659
Internally restricted net assets		
Future equipment replacement	8,485	8,485
	$ 13,578	$ 11,144

Note 9 Commitments and Contingencies

The Authority has been named as a defendant in various legal actions. The outcome of these actions cannot be estimated at this time. However, management believes the amount of damages, if any, resulting from these claims would not materially affect the financial position of the Authority. In accordance with standard provincial requirements, the Authority maintains adequate liability insurance coverage. Any costs in excess of the Authority's liability insurance on settlement would be recorded as an expense of the period of settlement.

The Authority is committed to operating lease payments in future years as follows:

2008	144
2009	144
2010	144
2011	140
2012 and thereafter	41
	$ 613

The leases expire at various dates from 2010 to 2012.

The Authority contracts on an ongoing basis with voluntary, private and community health service operators to provide acute and continuing care and other health services in the Region (Note 15(d)). The Authority has contracted for services in the year ending March 31, 2008 similar to those provided by these operators in 2007.

Note 10 Budget (un-audited)

	2006/07 Approved Budget (1)	Additional Funding -2	2006/07 Reported Budget
Revenue			
Alberta Health and Wellness contributions	215,626	7,467	223,093
Other government contributions	1,291	-	1,291
Fees and charges	22,675	-	22,675
Ancillary operations, net	245	-	245
Donations	350	-	350
Investment and other income	6,621	-	6,621
Amortized external capital contributions	7,891	-	7,891
TOTAL REVENUE	254,699	7,467	262,166
Expenses			
Facility-based inpatient acute nursing services	38,100	-	38,100
Facility-based emergency and outpatient services	22,859	-	22,859
Facility-based continuing care services	31,137	2,028	33,165
Community-based care	15,317	-	15,317
Home care	14,216	-	14,216
Diagnostic and therapeutic services	49,523	-	49,523
Promotion, prevention and protection services	11,181	-	11,181
Administration	10,934	-	10,934
Information technology	4,837	-	4,837
Support services	54,419	1,000	55,419
Amortization of facilities and improvements	5,229	-	5,229
TOTAL EXPENSES	257,752	3,028	260,780
Deficiency of revenue over expense	$ (3,053)	$ 4,439	$ 1,386

(1) The budget was approved by the Board of the Authority on May 25, 2006 and submitted to the Minister of Health and Wellness for approval. A revised budget was approved by the Board of the Authority on November 23, 2006 and submitted to the Minister of Health and Wellness.

(2) Over the course of the fiscal year, the Minister provided additional funding. The Board has allocated these additional resources to address funding expectations.

Note 11 Alberta Health and Wellness Contributions

	2007	2006
Unrestricted contributions	212,497	194,570
Transfers from deferred contributions	10,225	8,464
AHW payments to contract operators		
Legacy Mortgage Assistance Program for nursing home upgrades	2,117	631
	$ 224,839	$ 203,665

Note 12 Other Government Contributions

	2007	2006
Alberta Government		
Fair value of rent less rent charges for non-acute care facilities used by the Authority	707	737
Transfers from deferred contributions	83	83
Fair value to use non-owned acute care facilities	340	531
Other Alberta Government	20	21
	$ 1,150	$ 1,372

Note 13 Ancillary Operations

	2007			2006
	Non-patient Food Services	Rental Operations	Total	Total
Revenue				
Revenue	1,101	526	1,627	1,382
Amortized deferred capital contributions	26	10	36	31
	1,127	536	1,663	1,413
Expenses				
Other expenses	1,083	304	1,387	1,091
Amortization	26	10	36	31
	1,109	314	1,423	1,122
Excess of revenue over expenses	$ 18	$ 222	$ 240	$ 291

Note 14 Investment and other income

	2007	2006
Investment income	2,361	1,916
Other income	5,513	4,462
	$ 7,874	$ 6,378

Investment income comprises interest, dividends, amortization of discounts (premiums) and net gains (losses) on disposal of investments.

Other income comprises recoveries from sources external to the Authority for salary and supplies, WCB compensation, food licensing permits, vaccines, laundry services and other miscellaneous revenues.

Note 15 Related Parties

(a) Province of Alberta

The Minister of Health and Wellness appoints members of the Authority. The Authority is economically dependent on the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry. Transactions between the Authority and the Ministry are disclosed in the Statement of Operations and in the notes to the financial statements.

(b) Health Authorities

(i) The Authority shares a common relationship with other Health Authorities through its relationship with the Province of Alberta. Transactions between the Authority and other health authorities are reported in the Statement of Operations.

(c) Regional Shared Health Information Program (RSHIP)

The seven non-metro health regions have entered into an agreement under the name Regional Shared Health Information Program (RSHIP), to develop and implement a common, integrated health information system. This standard system will integrate with Alberta's Provincial Electronic Health Record (EHR) initiative. The other partners to the agreement are:

Chinook Regional Health Authority
David Thompson Regional Health Authority
Peace Country Health
Palliser Health Region
East Central Health
Northern Lights Health Region

Note 15 Related Parties (continued)

(c) Regional Shared Health Information Program (RSHIP) (continued)

	2007	2006
AHW Funding	7,414	5,956
Health Authority contribution	1,227	953
Total	$ 8,641	$ 6,909
Reported as follows:		
Expenses	-	-
Capital assets	8,641	6,909
Total	$ 8,641	$ 6,909

(d) Foundations

The Authority has economic interest in the following foundations with one representative on each of their Board of Directors. The foundations raise funds to benefit the Authority and other health related entities and are registered charities under the Income Tax Act. Information on the foundations is as follows:

	Contributions received by Health Authority Year ended March 31,		Resources held by Foundation at March 31, 2007	
	2007	2006	Externally Restricted	Unrestricted
St Paul & District Hospital Foundation	9	49	58	45
Hinton Health Care Foundation	57	114	39	116
Jasper Health Care Foundation	0	15	160	0
	$ 61	$ 178	$ 257	$ 161

Contributions include externally restricted amounts for equipment, programs, research, and education for specific communities supported by the Foundations.

Note 15 Related Parties (continued)

(c) Contracts with Health Service Providers

The Authority has an economic interest through its contracts with voluntary and private health service providers in the region. Funding was provided as follows:

	2007			2006		
	Voluntary Health Service Providers	Private Health Service Providers	Total	Voluntary Health Service Providers	Private Health Service Providers	Total
Direct Region funding	14,640	10,848	25,488	13,640	10,009	23,649
Direct AHW funding	-	2,116	2,116	-	631	631
Fees and charges	1,975	3,564	5,539	1,564	3,617	5,181
Full cost adjustments	423	-	423	614		614
Total	$ 17,038	$ 16,528	$ 33,566	$ 15,818	$ 14,257	$ 30,075

Note 16 Trust Funds

The Authority receives funds in trust from Alberta Infrastructure for non-owned facilities for capital purposes and facility repairs. These amounts are not reported in the statements. During the year the Authority received $297 (2006 $1,996) and disbursed $31 (2006 $304) for capital and facility repairs for non-owned facilities. The balance held by the Authority is $266 (2006 $1,692).

Note 17 Pension Costs

The Authority participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. Pension expense in these financial statements is equal to the Authority's annual contributions payable of $7,648 for the year ended March 31, 2007 (2006 $6,819).

At December 31, 2006, the Local Authorities Pension Plan reported an actuarial deficit of $746,651 (2005 $863,558).

Note 18 Comparative Figures

Certain 2006 figures have been reclassified to match their 2007 presentation.

Note 19 Approval of Financial Statements

These financial statements have been approved by the Authority

Schedule 1

ASPEN REGIONAL HEALTH AUTHORITY
SCHEDULE OF EXPENSES BY OBJECT
FOR YEAR ENDED MARCH 31, 2007
(in thousands)

	Budget	2007	2006
Salaries and Benefits (Schedule 2)	158,252	152,931	141,941
Contracts with health service operators (Note 15)	32,894	33,566	30,075
Drugs and gases	4,059	4,420	3,879
Medical and surgical supplies	4,430	5,044	4,454
Other contracted services	13,456	15,139	14,028
Other *	39,362	42,598	37,871
Amortization:			
Capital equipment - internally funded	1,603	1,802	1,603
Capital equipment - externally funded	2,765	3,275	2,765
Facilities and improvements - internally funded	99	100	99
Facilities and improvements - externally funded	5,157	5,164	5,157
Net (gain) loss on disposal	-	(17)	(39)
	262,077	264,022	241,833
Less amounts reported in ancillary operations (Note 13)	(1,297)	(1,423)	(1,122)
	$ 260,780	$ 262,599	$ 240,711
* Other			
Utilities	5,430	5,370	5,193
Patient travel	5,163	5,421	5,156
Food	2,730	2,822	2,610
Minor equipment	1,671	2,334	2,002
Equipment maintenance - external	2,465	2,284	2,330
Lab supplies	1,946	2,164	1,900
Other fees	856	1,840	967
Renovations	2,915	3,138	1,290
Staff travel	1,538	1,652	1,513
Rental/lease of equipment	1,405	1,441	1,490
Building/ground maintenance - external	920	1,276	1,109
Self managed care fees	1,250	1,040	1,084
Rental/lease of land/building	1,022	1,062	1,038
Referred out lab services	1,744	1,898	1,729
Miscellaneous	8,307	8,856	8,460
	$ 39,362	$ 42,598	$ 37,871

Schedule 2

ASPEN REGIONAL HEALTH AUTHORITY
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007

(in thousands)

	2007							2006			
					Severance						
	Number of Individuals[1]	Salaries, and Honoraria[2]	Benefits and Allowances[3]	Sub-total	Number of Individuals[4]	Amount	Total	Number of Individuals[1]	Salaries, honoraria, Benefits[2][3]	Severance	Total
Authority Board Compensation											
RHA Chairperson - Robert Jackson	1	33	-	33	0	-	33	1	34	-	34
RHA Vice Chairperson - Gary Pollock	1	7	-	7	0	-	7	1	9	-	9
Allan Buch	1	8	-	8	0	-	8	1	6	-	6
Bill Bulger	1	4	-	4	0	-	4	1	4	-	4
Ernie Hahn	1	7	-	7	0	-	7	1	6	-	6
Ernie Isley	1	7	-	7	0	-	7	1	11	-	11
Dale Johnson	1	9	-	9	0	-	9	1	11	-	11
Judy Kidd	1	7	-	7	0	-	7	1	8	-	8
Shirley Mahon	1	5	-	5	0	-	5	1	8	-	8
Ellen McGladdery	1	7	-	7	0	-	7	1	7	-	7
Andrew Orr	1	3	-	3	0	-	3	1	6	-	6
John Pripchuk	1	7	-	7	0	-	7	1	8	-	8
Gary Rancier	1	1	-	1	0	-	1	1	2	-	2
Floyd Thompson	1	10	-	10	0	-	10	1	11	-	11
Marian Wolitski	1	8	-	8	0	-	8	1	11	-	11
Sub-total	15	123	-	123	0	-	123	15	142	-	142
Staff											
President & Chief Executive Officer	1	242	47	289	0	-	289	1	303	-	303
Management person(s) reporting to the President & CEO:											
Vice President Health Services	-	8	2	10	0	-	10	1	155	-	155
Vice President Health Services	1	152	29	181	0	-	181	1	178	-	178
Vice President Corporate Services	1	148	29	177	0	-	177	1	174	-	174
Vice President Medical/Legal/Quality	1	151	29	180	0	-	180	1	183	-	183
Other management person(s) reporting	-	-	-	-	-	-	-				
directly to those above	21	2,087	415	2,482	1	17	2,499	21	2,295	-	2,295
Other management	43	3,843	823	4,666	0	-	4,666	43	4,549	143	4,692
Regulated nurses not included above											
- RNs, Psych. Nurses, Grad nurses	530	41,677	7,520	49,197	0	-	49,197	517	47,751	43	47,794
- LPNs	205	9,331	1,901	11,232	0	-	11,232	199	9,582	-	9,582
Other health technical and professionals	373	26,473	4,986	31,459	1	6	31,465	347	27,975	-	27,975
Unregulated health service providers	342	11,516	2,408	13,924	0	-	13,924	340	12,326	-	12,326
Other staff	892	32,517	6,451	38,968	2	20	38,988	839	36,133	9	36,142
Total Staff Compensation	2,410	128,125	24,640	152,765	4	43	152,808	2,331	141,604	195	141,799
Grand Total	2,425	$ 128,248	$ 24,640	$ 152,888	4	$ 43	$ 152,931	2,346	$ 141,746	$ 195	$ 141,941

Schedule 2 (continued)

SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007

1. Full time equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full-time employee. Total actual discrete number of individuals employed: 3,739 (2006 3,795). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.

2. Salaries include regular base pay, overtime, lumpsum payments, shift differential, honoraria, sick leave, short-term disability, earned vacation and other remuneration.

3. Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, Canada Pension Plan, employment insurance, workers compensation, and tuition.

4. Severance includes direct or indirect payments to individuals upon termination, which are not included in salaries, honoraria, benefits and allowances.

5. The Chief Executive Officer and other senior management are provided with an automobile; no dollar amount is included under benefits and allowances.

Peace Country Health

Financial Statements
March 31, 2007

TABLE OF CONTENTS

Management's Responsibility for Financial Reporting	1
Auditors' Report	2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 24
Schedule 1 – Schedule of Expenses by Object	25 - 26
Schedule 2 – Schedule of Salaries, Honoraria, Benefits, Allowances and Severance	27 - 28

PEACE COUNTRY HEALTH

MANAGMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FINANCIAL STATEMENTS

March 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness and, of necessity, include some amounts that are based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded. The Authority has established a code of ethics and corporate directives, which require communication of the code to employees.

The Authority members carry out their responsibility for the financial statements through the Audit Committee. This Committee meets with management, the external auditor and the Auditor General of Alberta, to discuss and review financial matters, and recommends the financial statements to the Peace Country Health Board for approval. The Auditor General of Alberta has full and free access to the Audit Committee.

The Auditor General of Alberta provides an independent audit of the financial statements. His examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures which allow him to report on the fairness of the financial statements prepared by management.

Shawn Terlson
President and Chief Executive Officer/Acting Chief Financial Officer

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Members of Peace Country Health
and the Minister of Health and Wellness

I have audited the statement of financial position of Peace Country Health (the Authority) as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
June 28,2007

Peace Country Health

Statement of Financial Position

March 31, 2007

(in thousands of dollars)

	2007 $	2006 $
Assets		
Current assets		
Cash (note 4)	7,138	22,639
Accounts receivable	7,997	4,618
Contributions receivable from Alberta Health and Wellness	10,901	4,214
Inventories	1,400	1,007
Prepaid expenses	872	930
	28,308	33,408
Non-current cash (note 4)	8,582	6,997
Non-current receivables (note 5)	2,322	3,419
Capital assets (note 6)	206,462	193,853
	245,674	237,677
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	28,965	21,805
Accrued vacation pay	11,062	9,893
Deferred contributions (note 7)	6,019	4,668
Current portion of long-term debt (note 9)	345	345
	46,391	36,711
Deferred capital contributions (note 8)	10,677	7,314
Long-term debt (note 9)	5,451	5,794
Unamortized external capital contributions	187,291	179,170
	249,810	228,989
Contingencies and commitments (note 10)		
Net assets		
Accumulated operating deficit	(17,526)	(1,992)
Investment in capital assets from internally funded sources	13,390	10,680
	(4,136)	8,688
	245,674	237,677

The accompanying notes and schedules are part of these financial statements.

Peace Country Health

Statement of Operations

For the year ended March 31, 2007

(in thousands of dollars)

	2007		2006
	Budget $ (Note 11)	Actual $	Actual $
Revenues			
Alberta Health and Wellness contributions (note 12)	219,500	216,322	192,210
Other government contributions (note 13)	900	694	887
Fees and charges	19,000	19,356	18,963
Ancillary operations – net (note 14)	1,000	727	836
Donations	1,200	566	465
Investment and other income (note 15)	4,600	7,655	5,877
Amortization of external capital contributions	10,000	10,455	9,842
	256,200	255,775	229,080
Expenses (schedule 1)			
Facility-based inpatient acute nursing services	55,800	56,285	49,469
Facility-based emergency and outpatient services	21,100	22,155	17,575
Facility-based continuing care services	23,400	22,641	19,662
Ground ambulance discovery project	11,500	12,433	11,484
Community-based care	11,500	9,867	6,853
Home care	16,500	15,827	13,074
Diagnostic and therapeutic services	46,600	46,665	40,785
Promotion, prevention and protection services	11,300	11,635	10,295
Research and education	100	25	25
Administration	11,800	13,162	10,893
Information technology	4,400	5,279	4,307
Support services	43,100	45,225	39,985
Amortization of facilities and improvements	7,000	7,420	6,894
	264,100	268,619	231,301
Deficiency of revenues over expenses (note 20)	(7,900)	(12,844)	(2,221)

The accompanying notes and schedules are part of these financial statements.

Peace Country Health

Statement of Changes in Net Assets

For the year ended March 31, 2007

(in thousands of dollars)

	Accumulated operating surplus (deficit) $	Investment in capital assets from internally funded sources $	2007 Total $	2006 Total $
Balance – Beginning of year	(1,992)	10,680	8,688	10,909
Deficiency of revenues over expenses	(12,844)	-	(12,844)	(2,221)
Capital assets purchased with internal funds	(3,436)	3,436	-	-
Amortization of internally funded capital assets	1,089	(1,089)	-	-
Repayment of long-term debt used to fund capital assets	(343)	343	-	-
Transfer of land (note 3)	-	20	20	-
Balance – End of year	(17,526)	13,390	(4,136)	8,688

The accompanying notes and schedules are part of these financial statements.

Peace Country Health

Statement of Cash Flows

For the year ended March 31, 2007

(in thousands of dollars)

	2007 Budget $ (note 11)	2007 Actual $	2006 Actual $
Cash generated from (used by)			
Operating activities			
Deficiency of revenues over expenses	(7,900)	(12,844)	(2,221)
Non-cash transactions			
Amortization of internally funded equipment	1,000	884	963
Amortization of externally funded equipment	3,100	3,240	3,113
Amortization of internally funded facilities and improvements	200	205	180
Amortization of externally funded facilities and improvements	6,900	7,215	6,729
Amortization of external capital contributions	(10,000)	(10,455)	(9,842)
Gain on disposal of capital assets – equipment	-	-	(30)
Gain on disposal of capital assets – facilities and improvements	-	-	(15)
	(6,700)	(11,755)	(1,123)
Net change in non-cash working capital items	803	(721)	6,303
Cash generated from (used by) operations	(5,897)	(12,476)	5,180
Investing activities			
Purchase of capital assets			
Internally funded equipment	(5,900)	(2,845)	(2,521)
Externally funded equipment	(15,131)	(10,730)	(5,738)
Internally funded facilities and improvements	(7,700)	(591)	(101)
Externally funded facilities and improvements	(8,951)	(7,866)	(7,312)
Funded by long-term debt	(3,034)	(2,121)	(1,464)
Proceeds on sale of capital assets	-	-	54
Change in non-current cash	6,997	(1,585)	(1,650)
Cash used by investing activities	(33,719)	(25,738)	(18,732)
Financing activities			
Capital contributions received	16,768	22,094	10,792
Change in non-current receivables	3,419	1,097	1,349
Capital contributions transferred from deferred contributions	-	-	489
Capital contributions transferred to operations	-	(135)	(522)
Proceeds from long-term debt	-	-	3,600
Principal payment of long-term debt	(389)	(343)	(137)
Cash generated from financing activities	19,798	22,713	15,571
(Decrease) increase in cash	(19,818)	(15,501)	2,019
Cash – Beginning of year	22,639	22,639	20,620
Cash – End of year	2,821	7,138	22,639

The accompanying notes and schedules are part of these financial statements.

1 Authority, purpose and operations

Peace Country Health (the "Authority"), formerly Mistahia Regional Health Authority, was established on June 24, 1994, under the Regional Health Authorities Act, Chapter R-10, Revised Statutes of Alberta, 2000. The Authority is a registered charity and is exempt from payment of income tax under Section 149 of the Income Tax Act.

The Authority is responsible for the delivery of appropriate, accessible and affordable health services in the region. This responsibility includes operating programs designed to promote, protect, maintain, restore and enhance physical and mental well-being.

The operations of the Authority include the following facilities and sites:

- Beaverlodge Municipal Hospital
- Central Peace Health Complex, Spirit River
- Fairview Health Complex
- Grande Cache Community Health Complex
- Grimshaw/Berwyn Continuing Care Centre
- Fox Creek Healthcare Centre
- High Prairie Health Complex
- Hythe Continuing Care Centre
- Mackenzie Place Long Term Care Centre, Grande Prairie
- Manning Community Health Centre
- Peace River Community Health Centre
- Queen Elizabeth II Hospital, Grande Prairie
- Sacred Heart Community Health Centre, McLennan
- Valleyview Health Centre
- Worsley Health Centre
- Health Unit Offices in Beaverlodge, Fairview, Fox Creek, Gift Lake, Grande Cache, Grande Prairie, High Prairie, Kinuso, Manning, McLennan, Peace River, Spirit River and Valleyview

2 Significant accounting policies and reporting practices

a) Basis of presentation

i) The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and the reporting requirements of Financial Directive 29 issued by Alberta Health and Wellness. The significant accounting policies used in the preparation of these financial statements, including the accounting recommendations of Alberta Health and Wellness, are summarized below.

ii) The Authority participates in the Regional Shared Health Information Program ("RSHIP"), a special purpose, limited liability, not-for-profit company incorporated under the laws of Alberta. The purpose of RSHIP is to provide and manage a shared information systems infrastructure for the participating Health Authorities. The Authority accounts for its 14.2% interest in RSHIP on a proportionate consolidation basis.

These financial statements do not include the assets, liabilities, and operations of any voluntary or private facilities providing health services in the region.

iii) These financial statements use the deferral method, the key elements of which are:

i) Unrestricted contributions are recognized as revenue in the year receivable.

ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year in which related expenses are incurred.

iii) Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested, or externally funded capital assets, are transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

iv) Restricted contributions for the purchase of capital assets that will not be amortized are recorded as direct increases to net assets.

v) Unrestricted investment income is recognized in the year it is earned.

vi) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets or is deferred and recognized as revenue in the year the related expenses are incurred.

vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

b) Full cost

The Authority records the fair value of services for which it is responsible. Such fair value transactions include the following:

i) Revenues earned by contracted health service operators from Ministry of Health and Wellness designated fees and charges are recorded as fees and charges of the Authority. An equivalent amount is recorded as contracted health service operator expense of the Authority.

ii) Payments made by Alberta Health and Wellness directly to contracted health service operators for health programs are recorded as revenues and an equivalent amount recorded as program expenses as these payments represent part of the cost of the Authority's health programs.

iii) The fair value for use of acute care facilities not owned by the Authority is recorded as revenue from other government contributions or from donations and as program expense, since contract payments from the Authority do not include an amount for the use of these facilities.

iv) The fair value for use of non-acute care facilities not owned by the Authority and provided to the Authority at zero or nominal rent is recorded as other government contributions and as program expenses.

v) Other assets, supplies, and service contributions that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers contribute a significant amount of time each year to assist the Authority in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenues and expenses in these financial statements because fair value cannot be reasonably determined.

c) Employee future benefits

The Authority participates in the Local Authorities Pension Plan. The pension plan is a multi-employer defined benefit pension plan that provides a pension for the Authority's participating employees, based on years of service and earnings.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the authority has insufficient information to apply defined benefit plan accounting.

Pension costs included in these financial statements comprise the employer's contributions for its employees during the year, based on rates expected to provide benefits payable under the pension plan. The Authority's portion of the pension plan's deficit or surplus is not recorded by the Authority.

The Authority participates in a Supplemental Executive Retirement Plan for a select group of employees. Benefits are based on 2.00% of the member's highest average earnings over a 60 consecutive month period less the average of the maximum pensionable earnings as determined under the provisions of the Local Authorities Pension Plan over the last 60 consecutive month period multiplied by the member's credited service under the Supplemental Executive Retirement Plan. The plan is unfunded. The Authority accrues its obligation for the Supplemental Executive Retirement Plan as the employee renders the service necessary to earn benefits.

d) Inventories

Inventories are valued at the lower of cost, as calculated on a moving average, or net realizable value.

Peace Country Health
Notes to Financial Statements
March 31, 2007

e) Capital assets

Capital assets and capital projects in progress are recorded at cost. Capital assets costing less than $5,000 are expensed.

Capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Land improvements	10 – 25 years
Buildings	20 – 40 years
Major equipment	5 – 15 years

Capital projects in progress (work-in-progress) are not amortized until the project is complete.

Leases transferring substantially all of the benefits and risks of ownership of capital assets are accounted for as acquisitions of capital assets financed by long-term obligations.

The Authority is subject to regulations requiring the repair, removal and disposal of asbestos. The obligation, under these regulations meets the definition of a conditional asset retirement obligation. As a result of the longevity of the Authority's facilities, due in part to the Authority's maintenance procedures, and the fact that the Authority does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the Authority's facilities is indeterminable as at March 31, 2007. As a result the Authority is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts as they are incurred.

f) Measurement uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. The amounts recorded for amortization of capital assets and amortization of external capital contributions are based on estimates of the useful life of the related assets. Actual results could differ from these estimates.

g) Fair value of financial instruments

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of cash, accounts receivable, contributions receivable, accounts payable and accrued liabilities, accrued vacation pay, and deferred contributions on the statement of financial position approximate fair value because of the short-term maturity of these instruments.

The Authority has certain receivables that are not due within one year. Management has reviewed these items, which are included in non-current receivables (note 5), by reference to their terms and determined that their fair value is not materially different than their carrying value.

The carrying value of long-term debt approximates its fair value because the interest rates approximate market values.

h) Trust funds received by the Authority for non-owned facilities

The Authority receives trust funds from Alberta Infrastructure to pay operators of non-owned facilities for capital purposes or facility repairs. These amounts are not reflected in the statements but disclosed in note 17.

3 Transfer of health facilities

On March 20, 2007, the Authority acquired two health facilities owned by Alberta Infrastructure and Transportation, which were previously leased to the Authority, for the nominal amount of $1. The net assets and liabilities acquired were incorporated into the operations of the Authority as summarized below:

	Long-term assets $	Unamortized external capital contributions $	Investment in capital assets from internally funded sources $	Purchase price $
			(in thousands of dollars)	
Mistashia Health Unit, Spirit River	130	(110)	(20)	-
Worsley Health Unit, Worsley	452	(452)	-	-
	582	(562)	(20)	-

On the basis that these assets are specific to the operations of the Authority, management has determined that these assets are not readily marketable and the fair value cannot be reasonably determined. Accordingly, these assets have been recorded at the transaction costs.

4 Cash

	2007 $	2006 $
	(in thousands of dollars)	
Cash	15,720	29,636
Classified as		
Current	7,138	22,639
Non-current	8,582	6,997
	15,720	29,636

Current cash represents amounts held for working capital purposes. Non-current cash represents amounts externally restricted for capital acquisitions.

5 Non-current receivables

	2007 $	2006 $
	(in thousands of dollars)	
Alberta Health and Wellness	1,201	2,342
Alberta Infrastructure	167	924
Natural Resources Canada	250	-
Foundations	704	85
Non-current portion of receivables from physicians and staff	-	68
	2,322	3,419

The amounts due from Alberta Health and Wellness, Alberta Infrastructure, National Resources Canada and foundations are for capital acquisitions.

6 Capital assets

	Cost			
	Opening balance – April 1, 2006	Transfers from work-in-progress	Additions	Closing balance – March 31, 2007
	$	$	$	$
	(in thousands of dollars)			
Land	2,052	-	20	2,072
Land improvements	9,090	6	12	9,108
Buildings	259,232	2,186	3,741	265,159
Major equipment	72,344	36	7,396	79,776
Work-in-progress	13,541	(2,228)	12,984	24,297
	356,259	-	24,153	380,412

	Accumulated amortization		
	Opening balance – April 1, 2006	Current year amortization	Closing balance – March 31, 2007
	$	$	$
		(in thousands of dollars)	
Land	-	-	-
Land improvements	7,805	176	7,981
Buildings	100,443	7,244	107,687
Major equipment	54,158	4,124	58,282
Work-in-progress	-	-	-
	162,406	11,544	173,950

	Net book value	
	2007	2006
	$	$
	(in thousands of dollars)	
Land	2,052	2,052
Land improvements	1,127	1,285
Buildings	157,492	158,789
Major equipment	21,494	18,186
Work-in-progress	24,297	13,541
	206,462	193,853

Capital assets have been funded from the following sources:

	2007	2006
	$	$
	(in thousands of dollars)	
Externally funded – unamortized external capital contributions	187,291	179,170
Internally funded – investment in capital assets	13,390	10,680
Financed by debt	5,781	4,003
	206,462	193,853

7 Deferred contributions

The balance at the end of year is restricted for the following purposes:

	2007	2006
	$	$
	(in thousands of dollars)	
Mental Health Innovation Fund	2,110	1,375
Alberta Stroke Foundation	757	612
Immunization grants	489	686
Donations	635	503
Telehealth clinical funding	598	598
Continuing care grants	536	121
Health promotion coordination for healthy weights	294	-
Other	600	773
	6,019	4,668

8 Deferred capital contributions

The balance at the end of year is restricted for the following purposes:

	2007	2006
	$	$
	(in thousands of dollars)	
Equipment replacement	5,498	2,048
Improvement of capital assets	2,406	2,387
New construction	2,773	2,879
	10,677	7,314

9 Long-term debt

	2007	2006
	$	$
	(in thousands of dollars)	
Debenture	3,429	3,600
Mortgages payable	2,298	2,422
Obligations under capital leases	69	117
	5,796	6,139
Less: Current portion	345	345
Non-current portion	5,451	5,794

Future payments for the year ended March 31:

	Debenture	Mortgages payable	Obligations under capital lease	Total
	$	$	$	$
			(in thousands of dollars)	
2008	179	132	34	345
2009	188	127	33	348
2010	196	97	2	295
2011	205	103	-	308
2012	215	109	-	324
2013 and thereafter	2,446	1,730	-	4,176
	3,429	2,298	69	5,796

The debenture matures in 2021, has an annual rate of 4.6% and is repayable in blended semi-annual payments of $167,446.

The terms of the mortgages payable are as follows:

Mortgage 1 is secured by a demand promissory note in the amount of $2,163,872, real property with a carrying value of $1,772,264, assignment of insurance on the property and a general security agreement. It is repayable in blended monthly payments of $15,481, including interest at a rate of 5.97%, and matures February, 2008.

Mortgage 2 is secured by a demand promissory note in the amount of $350,000, real property with carrying value of $527,901, assignment of insurance on the property and a general security agreement. It is repayable in blended monthly payments of $2,487, including interest at a rate of 5.90%, and matures December, 2008.

Mortgage 3 is secured by a demand promissory note in the amount of $215,000, by assignment of fire and extended insurance, and a general security agreement covering specific serial numbered goods and specific equipment. It is repayable in blended monthly payments of $4,178, including interest at a rate of 6.22% and matures December, 2008.

Capital leases expire on various dates to 2010. The implicit interest rates payable on these leases are 8.11% to 21.64%.

10 Contingencies and Commitments

Commitments

a) Contracts

The Authority is committed to several contracts and is required to make the following minimum payments over the next five years:

	Service/ maintenance contracts	Specific program commitments	Equipment leases	Total
	$	$	$	$
			(in thousands of dollars)	
2007-08	2,937	1,937	352	5,226
2008-09	1,026	1,174	207	2,407
2009-10	490	326	78	894
2010-11	437	198	28	663
2011-12	362	160	5	527
	5,252	3,795	670	9,717

In addition to the above, the Authority has entered into an agreement for the purchase of electricity at a rate of 6.74 cents per kilowatt-hour. The agreement expires December 31, 2008.

b) Capital Projects

The Authority has committed to completing two major capital projections over the next few years. The total future commitment is $293,043,000 as summarized below:

Project	Total approved amounts $	Costs incurred to date $	Anticipated future costs $
			(in thousands of dollars)
New regional health centre in Grande Prairie – phase one (note 21)	250,000	167	249,833
High Prairie Health Complex	43,800	590	43,210
	293,800	757	293,043

Contingencies

The Authority has a contingent liability in respect of a claim concerning increased long-term care accommodation charges levied effective August 1, 2003. The claim has been filed against the Province of Alberta and the Regional Health Authorities. The total amount of the claim is in excess of $150 million based on the amount of the increase in accommodation charges levied. The outcome of the claim is not determinable and no liability is recorded at this time.

11 Budget

	Approved budget[1] $	Additional approved budget[2] $	Adjustments[3] $	Reported budget $
			(in thousands of dollars)	
Revenues				
Alberta Health and Wellness contributions	211,400	7,837	263	219,500
Other government contributions	800	-	100	900
Fees and charges	19,500	-	(500)	19,000
Ancillary operations – net	900	-	100	1,000
Donations	1,200	-	-	1,200
Investment and other income	4,600	-	-	4,600
Amortization of external capital contributions	10,000	-	-	10,000
	248,400	7,837	(37)	256,200
Expenses				
Facility-based inpatient acute nursing care services	60,200	(240)	(4,160)	55,800
Facility-based emergency and outpatient services	20,100	(92)	1,092	21,100
Facility-based continuing care services	22,600	127	673	23,400
Ground ambulance discovery project	11,400	-	100	11,500
Community-based care	11,700	(108)	(92)	11,500
Home care	16,400	-	100	16,500
Diagnostic and therapeutic services	43,900	-	2,700	46,600
Promotion, prevention and protection services	12,600	150	(1,450)	11,300
Research and education	200	-	(100)	100
Administration	11,200	-	600	11,800
Information technology	4,200	-	200	4,400
Support services	42,800	-	300	43,100
Amortization of facilities and improvements	7,000	-	-	7,000
	264,300	(163)	(37)	264,100
(Deficiency) excess of revenue over expenses	(15,900)	8,000	-	(7,900)

[1] The budget was approved by the Authority's Board of Governors on April 4, 2006, and submitted to the Minister of Health and Wellness for approval.

[2]Over the course of the fiscal year, the Minister provided additional operational funding as follows:

Additional funding added to the budget:

	$ (in thousands of dollars)
Northern allowance	8,000
Continuing care systems program	78
Adjustment to innovation in immunization	159
Adjustment to continuing care grant funding	49
Adjustment to small pox funding	(9)
Adjustment to rural on-call funding	(92)
Adjustment to mental health innovation funding	(108)
Adjustment to specialists on-call funding	(240)
	7,837

Additional funding not added to the budget due to timing of the funding announcement:

	$ (in thousands of dollars)
Regional health promotion coordinators for healthy weights	294
Staff training to implement continuing care standards	125
Alberta telestroke program	95
	514

The additional funding not added to the budget will be deferred and recognized in 2007/08.

[3]Adjustments relate to classification changes to ensure budgeted revenues and expenses conform with actual reporting classifications.

12 Alberta Health and Wellness contributions

	2007 $ (in thousands of dollars)	2006 $ (in thousands of dollars)
Unrestricted contributions	204,858	180,515
Transfers from deferred contributions	11,324	11,173
Transfers from deferred capital contributions	140	522
	216,322	192,210

13 Other government contributions

	2007 $ (in thousands of dollars)	2006 $ (in thousands of dollars)
Alberta Government		
Fair value of rent for non-acute care used by the Authority (Department of Health)	680	579
Alberta Alcohol and Drug Abuse Commission	14	76
Alberta Cancer Board	-	54
Other Provincial government	-	40
	694	749
Federal government	-	120
Municipal governments	-	18
	694	887

14 Ancillary operations

	Parking operations $	Rental/other operations $	2007 Total $	2006 Total $
			(in thousands of dollars)	
Revenues	529	422	951	1,091
Expenses	75	149	224	255
Excess of revenues over expenses	454	273	727	836

15 Investment and other income

	2007 $	2006 $
	(in thousands of dollars)	
Unrestricted investment income	482	359
Other income	7,173	5,518
	7,655	5,877

Investment income comprises of interest on bank deposits.

Other income comprises recoveries from sources external to the Authority for materials, supplies and wages.

16 Related parties

Province of Alberta

The Authority is established under the Regional Health Authorities Act. The Minister of Health and Wellness appoints the board members. The Authority is economically dependent upon the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry.

Transactions between the Authority and its related parties are disclosed in the Statement of Operations, and in the notes and schedules to the Financial Statements.

Unless otherwise disclosed, related party transactions are recorded at the amount of consideration agreed upon between the related parties.

Health Authorities

The Authority shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between the Authority and other health authorities are reported in the statement of operations.

Regional Shared Health Information Program ("RSHIP")

The seven non-metro health regions (list) have entered into an agreement under the name Regional Shared Health Information Program ("RSHIP"), to develop and implement a common, integrated health information system. This standard system will integrate with Alberta's Provincial Electronic Health Record ("HER") initiative.

	2007 $	2006 $
	(in thousands of dollars)	
AHW Funding	929	2,305
Health authority contribution	2,904	2,022
	3,833	4,327

	2007 $	2006 $
	(in thousands of dollars)	
Reported as follows:		
Expenses	730	-
Capital assets	3,103	4,327
	3,833	4,327

Foundations

The Authority has an economic interest in the following Foundations. These Foundations raise funds to benefit the Authority and other health related entities and are registered charities under the Income Tax Act:

Beaverlodge Hospital Foundation
Fairview Health Complex Foundation
Grande Cache Hospital Foundation
Grimshaw/Berwyn & District Hospital Foundation
Hythe Nursing Home Foundation
Peace Health Foundation
Queen Elizabeth II Hospital Foundation
Valleyview Health Care Foundation

Contracts with Health Service Providers

The Authority has an economic interest through its contracts with voluntary and private health services providers in the region. Funding was provided as follows:

	2007			2006		
	Voluntary Health Service Providers $	Private Health Service Providers $	Total $	Voluntary Health Service Providers $	Private Health Service Providers $	Total $
				(in thousands of dollars)		
Direct Region funding	508	4,203	4,711	525	4,095	4,620
Fees and charges	-	814	814	-	901	901
	508	5,017	5,525	525	4,996	5,521

17 Trust funds

The Authority holds funds in the amount of $361,312 (2006 – $274,665) on behalf of its continuing care clients and the Queen Elizabeth II Hospital Child Care Centre.

18 Pension costs

Local Authorities Pension Plan

The Authority participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the Authority's annual contribution payable of $9,250,333 for the year ended March 31, 2007 (2006 – $7,426,491).

At December 31, 2006, the Local Authorities Pension Plan reported an actuarial deficiency of $746,651,000 (2006 – $863,558,000).

Supplemental Executive Retirement Plan

The Authority established a Supplemental Executive Retirement Plan for a select group of employees effective January 4, 2006. The plan is unfunded.

Information about the Authority's defined benefit plan is as follows:

	2007 $	2006 $
	(in thousands of dollars)	
Change in accrued benefit obligation		
Accrued benefit obligation – Beginning of year	309	206
Current service cost	96	68
Interest cost	22	16
Actuarial gain	(31)	-
Impact of change in discount rate	-	19
Accrued benefit obligation – End of year	396	309
Reconciliation of funded status to accrued benefit liability		
Net accrued benefit obligation	(396)	(309)
Unrecognized actuarial (gain) loss	(14)	19
Unrecognized initial obligation	160	183
Accrued benefit liability	(250)	(107)
Current service cost	96	68
Interest cost	22	16
Prior service cost amortization	23	23
Actuarial loss amortization	2	-
Net benefit costs	143	107

The significant actuarial assumptions in measuring the Authority's accrued benefit obligation as of March 31, 2007 are as follows:

	2007	2006
Discount rate	5.20%	5.40%
Rate of compensation increase	4.00%	3.50%
Expected average remaining service life of employers	9 years	9 years

19 Comparative figures

Certain 2006 figures have been reclassified and restated to conform to 2007 presentation.

20 Operating deficit

Per Alberta Regulation 15/95 of the Regional Health Authorities Act, Regional Health Authorities shall not incur an annual operating deficit. If a Regional Health Authority incurs an annual operating deficit, further action is required depending on the circumstances.

The Authority incurred an operating deficit of $12,844,000 for the year ended March 31, 2007 increasing the accumulated deficit to $17,526,000 (2006 – $1,922,000). Due to this accumulated deficit position, the Authority is required to submit a plan to the Minister of Health and Wellness by July 31, 2007 on how the accumulated deficit will be eliminated within the next three years. The Authority will work with the Minister of Health and Wellness on developing a deficit elimination plan.

21 Subsequent event

On April 19, 2007, the Government of Alberta announced that it will provide $250 million, over the next three years, for the first phase of the construction of a new regional health centre in Grande Prairie.

22 Approval of financial statements

These financial statements have been approved by the Authority's Board of Governors.

(in thousands of dollars)

	2007		2006
	Budget $ (Note 11)	**Actual $**	**Actual $**
Salaries, honoraria, benefits, allowances and severance[1]	184,300	181,484	156,437
Contracts with health service operators	5,100	5,525	5,521
Drugs and gases	4,300	4,768	4,359
Medical and surgical supplies	5,100	5,896	4,829
Other contracted services	16,200	19,181	15,030
Interest on long-term debt	-	305	163
Other[2]	37,900	40,140	34,277
Amortization			
Internally funded equipment	1,000	884	963
Externally funded equipment	3,200	3,240	3,113
Internally funded facilities and improvements	200	205	180
Externally funded facilities and improvements	6,800	7,215	6,729
Gain on disposal of capital assets			
Equipment	-	-	(30)
Facilities	-	-	(15)
	264,100	268,843	231,556
Less: Amounts reported in ancillary operations	-	224	255
	264,100	268,619	231,301

[1] Salaries, honoraria, benefits, allowances and severances include amounts related to operations and capital activities. These amounts are summarized below and disclosed in schedule 2.

	2007		2006
	Budget $ (Note 11)	**Actual $**	**Actual $**
Expensed costs	184,300	181,484	156,437
Capitalized costs	-	1,248	-
	184,300	182,732	156,437

Peace Country Health

Schedule of Expenses by Object ...*continued*

For the year ended March 31, 2007

Schedule 1
Page 2

(in thousands of dollars)

	2007		2006
	Budget $ (Note 11)	**Actual** $	**Actual** $
[2]Other: Significant amounts include			
Diagnostic and therapeutic supplies	3,200	3,500	3,186
Equipment expenses	5,600	6,868	7,029
Food supplies	2,000	2,549	2,061
Recruitment and relocation	2,000	4,413	1,086
Utilities	5,600	5,752	5,404
Other	19,500	17,058	15,511
	37,900	40,140	34,277

Schedule 2

Peace Country Health

Schedule of Honoraria, Benefits, Allowances and Severance

For the year ended March 31, 2007

(in thousands of dollars)

	2007								2006					
						Severance[4]								
	Number of individuals[1] #	Salaries and honoraria[2] $	Benefits and allowances[3] $	"SERP"[4(b)] $	Subtotal $	Number of individuals #	Amount $	Total $	Number of individuals[5] #	Salaries, honoraria, benefits[2&3] $	"SERP"[4(b)] $	Severance $	Total $
Authority/board compensation													
RHA chairperson													
Marvin Moore	1.00	52	5	-	57	-	-	57	1.00	42	-	-	42
RHA Members													
Claudia Buck	1.00	14	4	-	18	-	-	18	1.00	18	-	-	18
Dennis Grant	1.00	15	1	-	16	-	-	16	1.00	15	-	-	15
Delphine Harbourne	1.00	20	1	-	21	-	-	21	1.00	19	-	-	19
Andre Harpe	1.00	24	5	-	29	-	-	29	1.00	21	-	-	21
Milton Hornby	1.00	13	3	-	16	-	-	16	1.00	15	-	-	15
Wayne Jacques	1.00	16	4	-	20	-	-	20	1.00	10	-	-	10
Rose Kasinec	1.00	15	3	-	18	-	-	18	1.00	20	-	-	20
Betty Kruse	1.00	19	3	-	22	-	-	22	1.00	15	-	-	15
Lawrence Meardi	1.00	13	5	-	18	-	-	18	1.00	15	-	-	15
Jean Rycroft	1.00	11	3	-	14	-	-	14	1.00	19	-	-	19
Marie Saville	1.00	15	2	-	17	-	-	17	1.00	15	-	-	15
Brenda Strom	1.00	6	4	-	10	-	-	10	1.00	7	-	-	7
Total honoraria	13.00	233	43	-	276	-	-	276	13.00	231	-	-	231
Staff compensation													
Chief Executive Officer[10]	1.00	268	25	50	343	-	-	343	1.00	310	52	-	362
Medical Officer of Health	1.00	294	25	-	319	-	-	319	1.00	309	-	-	309
Management persons reporting to the CEO													
Chief Operating Officer, OEI Hospital	1.00	191	16	-	207	-	-	207	1.00	182	-	-	182
Chief Operating Officer, Regional Sites	1.00	147	35	-	182	-	-	182	1.00	159	-	-	159
Vice President, Regional Health Services	1.00	152	16	-	168	-	-	168	1.00	176	-	-	176
Vice President, Human Resources	1.00	156	29	-	185	-	-	185	1.00	175	-	-	175
Chief Financial & Information Officer	0.62	109	4	-	113	-	-	113	1.00	189	-	-	189
Chief Information Officer	0.38	44	12	-	56	-	-	56	-	-	-	-	-
Vice President, Medical Affairs	0.40	192	29	63	284	1	285	569	0.80	322	55	-	377
Corporate Business Officer	1.00	186	18	-	204	-	-	204	1.00	133	-	-	133
Other management persons reporting to those above	41.31	4,139	803	-	4,942	-	-	4,942	36.94	4,125	-	70	4,195
Other management	85.10	7,604	1,583	30	9,217	-	-	9,217	68.04	6,537	-	-	6,537
Regulated nurses not included above – RNs	563.35	47,727	8,881	-	56,608	-	-	56,608	539.52	50,997	-	-	50,997
Regulated nurses not included above – LPNs	204.27	10,788	2,097	-	12,885	-	-	12,885	201.20	10,816	-	-	10,816
Other health technical and professionals	480.39	33,464	5,902	-	39,366	-	-	39,366	463.07	33,997	-	-	33,997
Unregulated health service providers	319.95	12,360	2,311	-	14,671	-	-	14,671	304.88	12,328	-	-	12,328
Other staff	808.58	35,253	7,145	-	42,398	1	23	42,421	745.15	35,223	-	51	35,274
Total staff compensation	2,515.35	153,074	28,931	143	182,148	2	308	182,456	2,367.60	155,978	107	121	156,206
Total	2,528.35	153,307	28,974	143	182,424	2	308	182,732	2,380.60	156,209	107	121	156,437

Peace Country Health

Schedule of Honoraria, Benefits, Allowances and Severance... *continued* — Schedule 2, Page 2

For the year ended March 31, 2007

(in thousands of dollars)

(1) Full-time equivalent (FTE) for all staff is 2,022.75 hours. The total discrete number of individuals employed is 3,842 (2006 – 3,547).

(2) Salaries include regular base pay, overtime, lump-sum payments, shift differential, honoraria, sick leave, short-term disability, earned vacation leave and other remuneration.

(3) Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment, long-term and short-term disability plans, Canada Pension Plan, employment insurance and workers compensation.

(4) Severance includes amounts paid directly or indirectly to individuals upon termination, which are not included in salaries, honoraria, benefits, and allowances.

(5) The Chief Executive Officer is provided with an automobile. No dollar amount is included under benefits and allowances.

(6) Supplemental Executive Retirement Plan ("SERP") costs as detailed below represent the cost of future retirement benefits earned in the given fiscal year and are not actual cash payments. Future retirement benefits to participants are based on years of service and earnings at retirement. The cost of these benefits is actuarially determined using the projected unit credit service pro-rated method and management's best estimates regarding economic and demographic assumptions, including a market discount rate. Net actuarial gains or losses of the retirement benefit obligation are amortized over the average remaining service life of the employee group.

Current service cost is the actuarial present value of the retirement benefit earned in the fiscal year. Other costs include amortization of initial obligation and interest accruing on the actuarial liability.

	2007			2006
	Current service cost $	Other costs $	Total $	Total $
Chief Executive Officer	19	1	20	52
Senior Project Manager	35	25	60[6]	-
Retired members				
Vice President, Medical Affairs	42	21	63	55
	96	47	143	107

(6) During the year, the then Chief Executive Officer was appointed to the position of Senior Project Manager. The cost of $30,000 related to the period as Chief Executive Officer is included in the total SERP cost for Chief Executive Officer on schedule 2.

Peace Country Health

Schedule of Honoraria, Benefits, Allowances and Severance... *continued* — Schedule 2, Page 3

For the year ended March 31, 2007

(in thousands of dollars)

The accrued benefit obligation for pension benefits earned in the retiring allowance plan is outlined in the following table:

	Accrued benefit obligation – March 31, 2006 $	Change in accrued benefit obligation $	Accrued benefit obligation – March 31, 2007 $
Senior Project Manager			
Chief Executive Officer	164	35	199
Retired member	-	25	25
Vice President, Medical Affairs	145	27	172
	309	87	396

NORTHERN LIGHTS HEALTH REGION

FINANCIAL STATEMENTS

MARCH 31, 2007

Statement of Management Responsibility

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Schedule of Expenses by Object

Schedule 2 - Schedule of Salaries and Benefits

NORTHERN LIGHTS HEALTH REGION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FINANCIAL STATEMENTS

MARCH 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards, procedures, a formal authorization structure, and satisfactory processes to review internal controls. This system offers management reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded. The Authority has established a code of ethics and corporate directives, which include communication of the code to employees.

The Authority carries out its responsibility for the financial statements through the Board Resource Committee. This Committee meets with management and the external auditor, the Auditor General of Alberta to review financial matters, and recommends the financial statements to the Northern Lights Health Region board for approval. Prior to approval of the financial statements the external auditor meets with and has free access to, the Committee of the whole.

The external auditor, the Auditor General of Alberta provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and procedures which allow them to report on the fairness of the financial statements prepared by management.

Chief Executive Officer

Chief Financial Officer

AUDITOR GENERAL Alberta

Auditor's Report

To the Members of Northern Lights Health Region and the
Minister of Health and Wellness

I have audited the statement of financial position of Northern Lights Health Region (the Region) as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Region's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Region as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
May 16, 2007

FCA
Auditor General

NORTHERN LIGHTS HEALTH REGION
STATEMENT OF FINANCIAL POSITION
March 31, 2007
(in thousands)

	2007 Actual	2006 Actual As restated (Note 9)
ASSETS		
Current:		
Cash and investments (Note 3)	$ 4,320	$ 5,334
Accounts receivable	4,587	3,209
Contributions receivable from Alberta Health and Wellness	1,615	1,284
Inventories	878	733
Prepaid expenses	684	469
	12,084	11,029
Non-current cash and investments (Note 3)	4,787	1,163
Capital contributions receivable (Note 3)	3,376	5,329
Capital assets (Note 4)	81,086	81,399
TOTAL ASSETS	$101,333	$ 98,920
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 10,932	$ 8,505
Accrued vacation pay	3,196	2,860
Deferred contributions (Note 5)	5,033	3,867
Bank loan (Note 6)	120	240
	19,281	15,472
Deferred contributions (Note 5)	4	4
Deferred capital contributions (Note 7)	8,159	6,488
Unamortized external capital contributions (Note 4)	76,238	77,536
	103,682	99,500
Net assets		
Accumulated surplus/(deficit) (Note 8)	(7,197)	(4,443)
Investment in capital assets from internally funded sources (Note 4)	4,848	3,863
Operating net assets	(2,349)	(580)
TOTAL LIABILITIES AND NET ASSETS	$101,333	$ 98,920

The accompanying notes and schedules are part of these financial statements.

NORTHERN LIGHTS HEALTH REGION
STATEMENT OF OPERATIONS
March 31, 2007
(in thousands)

	2007		2006
	Budget	Actual	Actual
	(Note 11)		As restated (Note 9)
Revenue			
Alberta Health and Wellness contributions (Note 12)	$ 87,088	$ 87,965	$ 72,023
Other government contributions (Note 13)	778	1,504	1,267
Fees and charges	8,388	8,065	6,914
Ancillary operations, net (Note 14)	(52)	(88)	(90)
Donations	235	399	256
Investment and other income (Note 15)	1,357	2,279	1,541
Amortized external capital contributions	5,540	5,863	5,155
TOTAL REVENUE	103,334	105,987	87,066
Expenses (Schedule 1)			
Facility-based inpatient acute nursing services	28,188	25,692	23,609
Facility-based emergency and outpatient services	7,909	8,815	6,749
Facility-based continuing care services	4,585	4,816	4,634
Ground Ambulance Discovery Project	-	29	22
Community-based care	3,131	2,947	2,596
Home care	3,935	3,210	2,932
Diagnostic and therapeutic services	18,948	18,103	16,678
Promotion, prevention and protection services	7,759	7,278	6,153
Administration	8,462	10,637	6,556
Information technology	4,881	4,057	3,177
Support services	18,661	18,488	16,864
Amortization of facilities and improvements	3,730	3,684	3,626
TOTAL EXPENSES	110,189	107,756	93,596
Excess (deficiency) of revenue over expense	$ (6,855)	$ (1,769)	$ (6,530)

NORTHERN LIGHTS HEALTH REGION
STATEMENT OF CHANGES IN NET ASSETS
March 31, 2007
(in thousands)

	2007			2006
	Accumulated surplus/(deficit) (Note 8)	Investment in capital assets from internally funded sources	Total	Total
Balance at beginning of year	$ (4,443)	$ 3,863	$ (580)	$ 5,953
Excess (deficiency) of revenue over expense	(1,769)	-	(1,769)	(6,530)
Capital assets purchased with internal funds	(1,656)	1,656	-	(3)
Amortization of internally funded capital assets	671	(671)	-	-
Balance at end of year	$ (7,197)	$ 4,848	$ (2,349)	$ (580)

NORTHERN LIGHTS HEALTH REGION
STATEMENT OF CASH FLOWS
March 31, 2007
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (As restated (Note 9))
Cash generated from (used by):			
Operating activities:			
Excess (deficiency) of revenue over expenses	$ (6,855)	$ (1,769)	$ (6,530)
Non-cash transactions:			
Amortization of capital equipment - internally funded	600	597	636
- externally funded	1,900	2,201	1,565
Amortization of facilities and improvements	3,895	3,753	3,720
Amortized external capital contributions	(5,700)	(5,905)	(5,210)
Loss (gain) on disposal of capital equipment	-	25	-
Changes in non-cash working capital account	(1,857)	1,860	3,062
Cash generated from (used by) operations	(8,017)	762	(2,757)
Investing activities:			
Purchase of capital assets:			
internally funded	(600)	(1,656)	(908)
externally funded - equipment	(4,590)	(3,524)	(2,744)
externally funded - facility and improvements	(3,957)	(1,083)	(2,170)
Allocations (from) to non-current cash	(838)	(3,624)	480
Allocations (from) to long term receivable	3,829	1,953	(3,541)
Decrease in long term portion of deferred contributions	(4)	-	-
Cash used by investing activities	(6,160)	(7,934)	(8,883)
Financing activities:			
Capital contributions received	5,560	6,278	7,972
Proceeds from bank loan	3,403	-	-
Repayment of bank loan	(120)	(120)	(120)
Cash generated from financing activities	8,843	6,158	7,852
Decrease in cash and investments	(5,334)	(1,014)	(3,788)
Cash and investments, beginning of year	5,334	5,334	9,122
Cash and investments, end of year	$ -	$ 4,320	$ 5,334

NORTHERN LIGHTS HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007
(in thousands)

Note 1 Authority, Purpose and Operations

Northern Lights Health Region (the "Authority") was established June 24, 1994 under the *Alberta Regional Health Authorities Act*. The Authority is a registered charity under the Income Tax Act and exempt from payment of income tax.

The Authority delivers appropriate, accessible and affordable health services in Alberta, operating programs that promote, protect, maintain, restore and enhance physical and mental well-being.

The Authority's operations include the following facilities and sites:

Northern Lights Regional Health Centre
Northwest Health Centre
St. Theresa General Hospital
Rainbow Lake Health Centre
La Crete Health Centre
Paddle Prairie Health Centre
Ft. Vermilion Health Centre
Zama City Nursing Station
La Crete Continuing Care Centre

The financial statements do not include the assets, liabilities and operations of voluntary or private facilities providing health services in the region.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

(1) The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness' Financial Directive 29.

(2) The Authority uses the proportionate consolidation method to account for its 50% interest in the Wood Buffalo Primary Care Network.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Basis of Presentation (continued)

(3) These financial statements use the deferral method, key elements of which are:

(i) Unrestricted contributions are recognized as revenue in the year receivable.

(ii) Externally restricted contributions are recognized as revenue in the year proportional to the related expenses incurred.

(iii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Invested amounts are transferred to unamortized external capital contributions and then recognized as revenue in the period the related amortization expense of the capital asset is recorded.

(iv) Endowments and restricted contributions to purchase capital assets that will not be amortized are treated as direct increases to net assets.

(v) Unrestricted investment income is recognized in the year earned.

(vi) Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as a direct increase to net assets, or deferred and recognized as revenue in the year the related expenses are incurred.

(vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Full cost

The Authority accounts for all costs of services for which it is responsible. Fair value transactions comprise:

(i) Revenue that contracted health service operators earn from Ministry of Health and Wellness designated fees and charges are recorded as the Authority's fees and charges and as the Authority's contracted health service expense.

(ii) Alberta Health and Wellness direct payments to contracted health service operators are recorded as revenue and as program expense as these payments represent part of the Authority's health program costs.

(iii) Fair value to use acute care facilities not owned by the Authority is recorded as revenue from other government contributions or donations, and as program expense, since contract payments from the Authority do not include an amount for use of these facilities.

(iv) Fair value for use of non-acute care facilities not owned by the Authority and provided to the Authority at zero or nominal rent is recorded as other government contributions and as program expense.

(v) Other assets, supplies and services that a health authority would otherwise purchase are recorded as revenue and expense, at fair value at the date of contribution, when a fair value can be reasonably determined. The value of volunteers' contributed services is not reported because a fair value cannot be reasonably determined.

(c) Employee Future Benefits

The Authority participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees, based on years of service and earnings. Defined contribution plan accounting is applied where the authority has insufficient information to apply defined benefit plan accounting.

The Region provides a non-contributory defined benefit Supplementary Executive Retirement Plan (SERP) to senior executives of the Region. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains or losses of the benefit obligation are amortized over the average remaining service life of the employee group.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Employee Future Benefits (continued)

Pension costs comprise the employer's contributions for its employees during the year, based on rates expected to provide benefits payable under the pension plans. The Authority does not record its portion of the plans' deficit or surplus.

The Authority fully accrues its obligations for employee non-pension future benefits.

(d) Investments

Non-current investments are recorded at cost unless there was an other-than-temporary impairment in value. At that time, the value is reduced. Discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains or losses on disposal are recognized in the period of disposal.

(e) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, contributions receivable from Alberta Health and Wellness, accounts payable and accrued liabilities, accrued vacation pay and bank loan approximates their fair value because of the short-term maturity of these items.

(f) Inventories

Inventories are valued at the lower of moving average cost or net realizable value.

(g) Capital Assets

Capital assets and work in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed. Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Buildings	20-40 years
Land improvements	20 years
Building service equipment	20 years
Vehicles and equipment	5-20 years

Construction projects in progress are not amortized until the project is complete. Leases transferring substantially all benefits and risks of capital asset ownership are reported as capital asset acquisitions financed by long-term obligations.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(h) Measurement Uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Actual results could differ from estimates.

Note 3 Cash and Investments

	2007	2006 As Restated (Note 9)
Cash	$ 8,654	$ 6,044
Guaranteed Investment Certificates	453	453
Total	$ 9,107	$ 6,497
Classified as:		
Current	$ 4,320	$ 5,334
Non current	4,787	1,163
Total cash and investments	$ 9,107	$ 6,497

(1) Guaranteed Investment Certificates maturing on September 3, 2009 are guaranteed by the Canada Deposit Insurance Corporation and bear interest at 4.14% paid annually.

Non-current cash and investments represent the following:

	2007	2006 As Restated (Note 9)
Externally restricted for capital acquisitions	$ 8,159	$ 6,488
Less: Capital contributions receivable	(3,376)	(5,329)
Externally restricted for Specialized Training	4	4
	$ 4,787	$ 1,163

Note 4 Capital Assets

Cost

Capital Asset	Opening Balance April 1, 2006	Transfers from Work in Progress	Additions	Disposals	Closing Balance March 31, 2007
Land	$ 900	$ -	$ -	$ -	$ 900
Site Improvements	$ 4,991	$ 125	$ -	$ -	5,116
Buildings	$ 91,890	$ 1,860	$ 223	$ -	93,973
Building Service Equipment	$ 20,961	$ 21	$ -	$ -	20,982
Equipment	$ 28,921	$ 1,941	$ 2,567	$ (612)	32,817
Construction in Progress	$ 2,732	$ (3,947)	$ 3,473	$ -	2,258
					-
	$ 150,395	$ -	$ 6,263	$ (612)	$ 156,046

Accumulated Amortization

Opening Balance April 1, 2006	Current year amortization	Amortization on disposals	Closing Balance March 31, 2007	Net Book Value 2007	Net Book Value 2006
$ -	$ -	$ -	$ -	$ 900	$ 900
$ 3,996	121	-	4,117	$ 999	995
$ 36,291	2,814	-	39,105	$ 54,868	55,599
$ 10,477	818	-	11,295	$ 9,687	10,484
$ 18,232	2,798	(587)	20,443	$ 12,374	10,689
$ -	-	-	-	$ 2,258	2,732
			-		
$ 68,996	$ 6,551	$ (587)	$ 74,960	$ 81,086	$ 81,399

Construction in progress is comprised of the following:

	2007	2006
Regional Shared Health Information Project (RSHIP)	$ -	$ 1,904
Northern Lights Regional Health Centre – MRI	1,171	-
Northern Lights Regional Health Centre – Functional Review	149	-
Northern Lights Regional Health Centre – Outpatient	133	-
Northwest Health Centre	294	294
NLHC Elevator Upgrade	391	182
NLHC X-Ray Replacement	-	121
Sprinkler Pump	-	97
Boiler Replacement	-	31
Other	120	103
Total Construction in Progress	$ 2,258	$ 2,732

Note 4 Capital Assets (continued)

Capital assets were funded from the following sources:

	2007	2006
Externally funded	$ 76,238	$ 77,536
Internally funded	4,848	3,863
	$ 81,086	$ 81,399

Note 5 Deferred Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006 As Restated (Note 9)
Current		
Restricted Specialist On Call	$ 452	$ 510
Restricted Continuing Care Initiatives	410	-
Restricted MHIF ACT Program	329	224
Restricted Healthly Weights Initiatives	294	-
Restricted Innovation Immunization Fund	272	-
Restricted Telehealth	229	228
Restricted MHIF Mental Wellness/ Addictions Training	222	175
Restricted Ground Ambulance	137	166
Restricted Alberta Telestroke Program	120	-
Restricted Young Family Wellness	93	153
Restricted Telehome Care	79	79
Restricted EHR Client Registry Transition Support	75	-
Restricted Rainbow Lake Clinical Telehealth	58	58
Restricted Nunee Health	58	233
Restricted Alberta Health - Other	129	538
Children's Mental Health	66	66
Alberta Stroke Strategy	885	612
Wood Buffalo Primary Care Network	1,008	644
Restricted - Other	117	181
	$ 5,033	$ 3,867
Non-current		
Other	4	4
Total	$ 5,037	$ 3,871

Note 6 Bank Loan

The bank loan bears interest of prime minus 0.25% and is secured by a borrowing resolution of the Authority and is due on demand. The remaining principal of $120 is due and payable September 1, 2007.

Note 7 Deferred Capital Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
Equipment replacement	$ 65	$ 65
Improvement of capital assets	8,094	6,423
	$ 8,159	$ 6,488

Note 8 Accumulated Surplus/ (Deficit)

The Authorities operations over the past several years have resulted in an accumulated deficit of $7,197. Per Alberta Regulation 15/95 of the *Regional Health Authorities Act*, the Region is required to provide the Minister of Health and Wellness a deficit elimination plan by July 31, 2007.

Note 9 Accounting Restatement

The Authority has corrected prior year balances to reflect its 50% share of the Wood Buffalo Primary Care Network for the year ended March 31, 2006 as follows:

	2006
Statement of Financial Position	
Cash and investments	$ 706
Accounts payable and accrued liabilities	(62)
Deferred contributions	(644)
Net assets	$ -
Statement of Operations	
Other government contributions	$ 69
Community based services	(69)
	$ -

Comparative balances have been retroactively restated to reflect these changes.

Note 10 Commitments and Contingencies

(a) Commitments

The Authority is committed under contracts for service contracts and equipment leases for the following payments:

Year	Amount
2008	526
2009	510
2010	460
2011	381
2012	381

(b) Contingencies

The Authority has a contingent liability in respect of a claim concerning increased long term care accommodation charges levied effective August 1, 2003. The claim has been filed against the Province of Alberta and the Regional Health Authorities. The total amount of the claim is in excess of $150,000 based on the amount of the increase in accommodation charges levied. The outcome of the claim is not determinable, and no liability is recorded at this time.

Note 11 Budget

	2006/2007 Board Approved Budget [1]	Adjustments [2]	2006/2007 Reported Budget
Revenue			
Alberta Health and Wellness contributions	$ 77,376	$ 9,712	$ 87,088
Other government contributions	778	-	778
Fees and charges	8,388	-	8,388
Ancillary operations, net	(52)	-	(52)
Donations	235	-	235
Investment and other income	1,357	-	1,357
Amortized external capital contributions	5,540	-	5,540
TOTAL REVENUE	$ 93,622	$ 9,712	$ 103,334
Expenses			
Facility-based inpatient acute nursing services	$ 28,188	$ -	$ 28,188
Facility-based emergency and outpatient services	7,909	-	7,909
Facility-based continuing care services	4,585	-	4,585
Ground Ambulance Discovery Project	-	-	-
Community-based care	3,131	-	3,131
Home care	3,935	-	3,935
Diagnostic and therapeutic services	18,948	-	18,948
Promotion, prevention and protection services	7,759	-	7,759
Administration	8,462	-	8,462
Information technology	4,881	-	4,881
Support services	18,661	-	18,661
Amortization of facilities and improvements	3,730	-	3,730
TOTAL EXPENSES	$ 110,189	$ -	$ 110,189
Excess (deficiency) of revenue over expense	$ (16,567)	$ 9,712	$ (6,855)

(1) The budget was approved by the Board of the Authority on May 31st, 2006, and submitted to the Minister of Health and Wellness.

(2) Over the course of the fiscal year, the Minister provided additional funding. The Board has allocated these additional resources to address funding expectations.

Note 12 Alberta Health and Wellness Contributions

	2007	2006
Unrestricted contributions	$ 84,870	$ 69,017
Transfers from deferred contributions	3,095	3,006
	$ 87,965	$ 72,023

Note 13 Other Government Contributions

	2007	2006 As Restated (Note 9)
Alberta Government		
Unrestricted Alberta Infrastructure	$ -	$ 330
Transfers from deferred contributions	131	-
Other	-	23
	131	353
Other		
Wood Buffalo Primary Care Network	771	69
Transfers from deferred contributions	600	785
Other	2	60
	$ 1,504	$ 1,267

Note 14 Ancillary Operations

	2007						2006
	Non-Patient Food Services	Rental Operations	Sale of Goods and Service	Parking Operations	Other	Total	Total
Revenue	$ 526	$ 134	$ 60	$ 285	$ 22	$ 1,027	$ 912
Amortized deferred capital contributions		27		15		42	55
	526	161	60	300	22	1,069	967
Expenses							
Other Expenses	490	289	66	6	237	1,088	963
Amortization		54		15		69	94
	490	343	66	21	237	1,157	1,057
Excess (deficiency) of revenue over expense	$ 36	$ (182)	$ (6)	$ 279	$ (215)	$ (88)	$ (90)

Note 15 Investment and other income

	2007	2006
Investment income	$ 331	$ 296
Transferred from Deferred Contributions	160	278
Other income		
Immunization Recoveries	132	144
Other Recoveries	1,656	823
	$ 2,279	$ 1,541

Investment income comprises interest, dividends, amortization of discounts (premiums) and net gains on disposal of investments.

Note 16 Related Parties

(a) Province of Alberta

The Minister of Health and Wellness (AH&W) appoints members of the Authority. The Authority is economically dependent on the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry. Transactions between the Authority and the Ministry are disclosed in the Statement of Operations and in notes to the financial statements.

(b) Health Authorities

The Authority shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between the Authority and other health authorities are reported in the Statement of Operations.

(c) Regional Shared Health Information Program (RSHIP)

The seven non-metro health regions:

David Thompson Health Region
Peace Country Health
Aspen Health Region
Northern Lights Health Region
Chinook Health Region
East Central Health
Palliser Health Region

have entered into an agreement under the name Regional Shared Health Information Program (RSHIP), to develop and implement a common, integrated health information system. This standard system will integrate with Alberta's Provincial Electronic Health Record (EHR) initiative.

	2007	2006
AHW Funding previously deferred	$ -	$ 540
AHW Funding current year	453	629
AHW grant receivable	-	591
Health Authority contribution	622	144
Total	$ 1,075	$ 1,904
Reported as follows:		
Expenses	$ 348	$ -
Capital assets	727	1,904
Total	$ 1,075	$ 1,904

Note 16 Related Parties (continued)

(d) Primary Care Network

The health authority's share of the Wood Buffalo Primary Care Network is included in the financial statements under the proportionate consolidation method as follows:

	Health Authority's 50% share	
	2007	2006
Opening Balance	$ 644	$ -
Contributions from AHW	1,371	713
Amounts recognized as revenue	(824)	(69)
Amounts Deferred	$ 1,191	$ 644

(e) Foundations

The following controlled foundations are not consolidated in these statements:

Northern Lights Regional Health Foundation – The Authority significantly influences the Northern Lights Regional Health Foundation through its representation on the Board of Directors.

Northern Lights Regional Health Foundation

	2007	2006
Total assets	$ 4,611	$ 4,151
Total liabilities	2,931	2,855
Net assets	$ 1,680	$ 1,296
Revenue	$ 2,967	$ 1,568
Expenses	2,583	1,384
Excess of revenue over expenses	$ 384	$ 184

Note 16 Related Parties (continued)

Northern Peace Foundation – The Authority has an economic interest in the Northern Peace Foundation which was established to support fundraising for the High Level and area health facilities. The foundation is currently being reactivated.

Northern Peace Foundation	2007	2006
Assets	$ 18	$ 17
Liabilities	-	-
Net assets	$ 18	$ 17
Revenue	$ 1	$ -
Expenses	-	-
Excess of revenue over expense	$ 1	$ -

	Contributions received by Health Authority Year ended March 31,		Resources held by Foundation at March 31, 2007	
	2007	2006	Externally Restricted	Unrestricted
Northern Lights Regional Health Foundation	$ 1,996	$ 856	$ 2,290	$ 1,680
Northern Peace Foundation	-	-	-	17
	$ 1,996	$ 856	$ 2,290	$ 1,697

Resources of the Northern Lights Regional Health Foundation amounting to $2,252 have been restricted by donors for the exclusive use of Northern Lights Regional Health Centre.

Note 16 Related Parties (continued)

(f) Contracts with Health Service Providers

The Authority has an economic interest through its contracts with voluntary and private health service providers in the region. Funding was provides as follows:

	2007			2006		
	Voluntary Health Service Providers	Private Health Service Providers	Total	Voluntary Health Service Providers	Private Health Service Providers	Total
Direct Region funding	$ -	$ 7,289	$ 7,289	$ -	$ 6,130	$ 6,130
Direct AHW funding	-	175	175	-	233	233
Fees and charges	-	-	-	-	-	-
Full cost adjustments	-	-	-	-	-	-
Total	$ -	$ 7,464	$ 7,464	$ -	$ 6,363	$ 6,363

Note 17 Trust Funds

The Authority receives funds in trust from Continuing Care residents for Continuing Care accommodation fees and incidental costs. These amounts are not reported in the statements. During the year the Authority received $58 and disbursed $49 for Continuing Care accommodation charges. The balance of funds held by the Authority is $63.

Note 18 Pension Costs

	2007	2006
Pension plan expense comprises the following:		
Local Authorities Pension Plan	$ 3,112	$ 2,626
Defined contribution pension plan	148	153
Supplemental Executive Pension Plan	81	47
	$ 3,341	$ 2,826

Note 18 Pension Costs (continued)

(a) The Authority participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan.

At December 31, 2006, the Local Authorities Pension Plan reported an actuarial deficiency of $746,651 (2005 deficiency of $863,558).

(b) The Authority provides a supplemental defined contribution pension plan to employees under a collective agreement. The Authority matches employee contributions of up to 2% of regular earnings.

(c) The Authority provides a non-contributory defined benefit Supplementary Executive Retirement Plan (SERP) to senior executives of the Region. There are no cash payments made to staff relating to this plan until their retirement. The plan's assets are held in a trust pursuant to a Retirement Compensation Arrangement (as defined by the Income Tax Act). The authority's policy is to have the plan fully funded. Actuarial valuations are completed annually. The obligation and pension expense can vary with changes in actuarial assumptions used to estimate the obligation.

	2007	2006
Accrued benefit obligation, beginning of the year	$ 292	$ 214
Current service cost	49	22
Interest cost	19	14
Actuarial loss (gain)	39	42
Accrued benefit obligation, end of year	$ 399	$ 292
Funded status of the plan (deficit)	$ (35)	$ (58)
Unrecognized actuarial loss (gain)	79	45
Unrecognized initial obligation	178	196
Accrued benefit (liability) asset	$ 222	$ 183
Current service cost	$ 49	$ 22
Interest cost	19	14
Actual return on assets	(9)	(3)
Amortization of prior service costs	17	17
Actuarial loss (gain) in year	39	42
Difference between expected and actual return on assets	1	(3)
Difference between recognized and actual actuarial gains	(35)	(42)
Net benefit cost	$ 81	$ 47

Note 18 Pension Costs (continued)

	2007	2006
Assumptions at end of year		
Discount rate	5.2 %	5.4 %
Expected average remaining service life of employees	12 years	12 years
Salary scale increases	3.5 %	3.5 %
The above information is based on the annual actuarial valuation performed as of March 31 for each fiscal year		
Plan assets (held by trustee)		
Employer contributions		
Fair value of assets March 31, 2007	$ 185	$ 119
Plan assets (held by Canada Revenue Agency)		
Employer contributions paid as refundable taxes	179	115
Total plan assets	$ 364	$ 234
Funded status of plan	$ (35)	$ (58)

Note 19 Comparative Figures

Certain 2006 figures have been reclassified to match their 2007 presentation.

Note 20 Approval of Financial Statements

These financial statements have been approved by the Authority.

Schedule 1

NORTHERN LIGHTS HEALTH REGION
SCHEDULE OF EXPENSES BY OBJECT
March 31, 2007
(in thousands)

	Budget	2007	2006
			As restated (Note 9)
Salaries and benefits (Schedule 2)	$ 69,500	$ 65,418	$ 59,433
Contracts with health service providers (Note 16)	6,729	7,464	6,363
Drugs and gases	1,615	1,528	1,566
Medical and surgical supplies	2,382	2,312	2,295
Other contracted services	5,245	7,621	5,796
Other *	19,401	18,019	13,279
Amortization:			
Capital equipment - internally funded	600	597	636
Capital equipment - externally funded	1,900	2,201	1,565
Facilities and improvements	3,895	3,753	3,770
	111,267	108,913	94,653
Less amounts reported in ancillary operations (Note 14)	(1,078)	(1,157)	(1,057)
	$ 110,189	$ 107,756	$ 93,596
* Significant components of Other include the following:			
Utilities	2,275	2,088	2,038
Equipment and software maintenance	1,175	1,651	1,400
Recruitment, relocation and retention of staff	2,585	2,893	1,218
Travel	1,140	1,189	1,023
Minor equipment	901	1,646	843
Food supplies	760	833	750
Other	10,565	7,719	6,007
	$ 19,401	$ 18,019	$ 13,279

NORTHERN LIGHTS HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS
March 31, 2007
(in thousands)

Schedule 2

	2007								2006				
	Number of Individuals[1]	Salaries and Honoraria[2]	Benefits and Allowances[3]	Supplemental Executive Retirement Plan[4]	Sub Total	Severance: Number of Individuals	Severance: Amount	Total	Number of Individuals[1]	Salaries, Honoraria, Benefits[2][3]	Supplemental Executive Retirement Plan[4]	Severance	Total
RHA Chairperson - Fitzner, Jeff (2005-07)	1	$ 88	$ -	$ -	88	-	$ -	$ 88	1	$ 58	$ -	$ -	$ 58
RHA Chairperson - Nickerson, Ken (2004-05)									1	9	-	-	9
Board members													
Arnason, Ron	1	23	-	-	23			23	1	28	-	-	28
Axford, Eric	1	4	-	-	4			4					
Boyer, Mary	1	11	-	-	11			11	1	12	-	-	12
Chonkolay, Cary	1	13	-	-	13			13	1	14	-	-	14
Elias, Jake	1	5	-	-	5			5					
Hawryluk, Peter	1	7	-	-	7			7	1	23	-	-	23
Kennedy, Sylvia	1	21	-	-	21			21	1	17	-	-	17
MacDonald, Cathy	1	7	-	-	7			7	1	14	-	-	14
MacDonald, Margaret	1	8	-	-	8			8	1	11	-	-	11
McAteer, Noreen	1	4	-	-	4			4					
McWilliams, Paul	1	2	-	-	2			2					
Neufeld, William	1	4	-	-	4			4	1	17	-	-	17
Shinman, Sharon	1	5	-	-	5			5					
Slater, Dianne	1	14	-	-	14			14					
Winkel, Gord	1	6	-	-	6			6	1	7	-	-	7
Sub-total	16	222	-	-	222	-	-	222	11	210	-	-	210
Staff													
Chief Executive Officer	1	391	28	59	478	-	-	478	1	289	35	-	324
Management reporting to CEO:									-	-	-	-	-
VP Corporate Services	1	131	17	7	155	-	-	155	1	167	6	-	173
VP Human Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
VP Health Services	3	543	73	15	631	1	153	784	3	512	6	-	518
Executive Director, Foundation	1	104	16	-	120	-	-	120	1	85	-	-	85
Communication Advisor	1	119	10	-	129	-	-	129	1	76	-	-	76
Director, Primary Care Network	1	49	8	-	57	-	-	57	1	121	-	-	121
Chief Integration / Liason Officer	0.3	63	7	-	70	-	-	70	-	-	-	-	-
Other management reporting directly to those above	18	2,053	334	-	2,387	1	16	2,403	19	2,264	-	-	2,264
Regulated nurses not included above													
- RNs, Reg. Psych. nurses, Grad nurses	239	18,608	3,122	-	21,730	-	-	21,730	234	20,989	-	-	20,989
- LPNs	64	3,191	510	-	3,701	-	-	3,701	60	3,352	-	-	3,352
Other health technical & professionals	101	7,881	1,370	-	9,251	-	-	9,251	97	8,148	-	-	8,148
Unregulated health service providers	115	4,404	778	-	5,182	-	-	5,182	106	4,524	-	-	4,524
Other staff	353	18,053	3,083	-	21,136	-	-	21,136	331	18,649	-	-	18,649
Total Staff Compensation	898.3	55,590	9,356	81	65,027	2	169	65,196	855	59,176	47	-	59,223
Grand Total	914.3	$ 55,812	$ 9,356	$ 81	$ 65,249	2	$ 169	$ 65,418	866	$ 59,386	$ 47	$ -	$ 59,433

NORTHERN LIGHTS HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS (continued)
March 31, 2007

(1) Full Time Equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full-time employee. Total actual discrete number of individuals employed: 1,249 (2006 - 1,172). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.

(2) Salaries include regular base pay, overtime, lump sum payments, shift differential, honoraria, sick leave, short-term disability, earned vacation leave and other remuneration.

(3) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, Canada Pension Plan, employment insurance, workers compensation, professional memberships and tuition.

(4) Supplemental Executive Retirement Plans (SERPs) refer to future supplemental retirement payments for executive officers. Costs shown below reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period.

	2007			2006
	Current Service Cost	Prior Service and Other Costs	Total	Total
Chief Executive Officer	$ 36	$ 23	$ 59	$ 35
Executive/Vice Presidents				
Vice President Health Services – Clinical	3	1	4	2
Vice President Health Services – East	4	2	6	2
Vice President Health Services – West	3	2	5	2
Vice President Corporate Services	3	4	7	6
Chief Integration and Liaison Officer	-	-	-	-
	$ 49	$ 32	$ 81	$ 47

The accrued obligation for each executive under SERP is outlined in the following table:

	Accrued obligation March 31, 2006	Changes in accrued obligation	Accrued obligation March 31, 2007
Chief Executive Officer	$ 6	$ 38	$ 44
Executive/Vice Presidents			
Vice President Health Services – Clinical	13	16	29
Vice President Health Services – East	19	4	23
Vice President Health Services – West	-	1	1
Chief Integration and Liaison Officer	-	1	1
Terminated/Retired Members			
Chief Executive Officer	201	19	220
Vice President Health Services – West	17	2	19
Vice President Corporate Services	36	26	62
	$ 292	$ 107	$ 399

(5) Severance includes direct or indirect payments to individuals upon termination, which are not included in salaries, honoraria, benefits and allowances.

(6) The Chief Executive Officer is provided with an automobile. No dollar amount is included under benefits and allowances.

ALBERTA MENTAL HEALTH BOARD

FINANCIAL STATEMENTS

MARCH 31, 2007

Statement of Management Responsibility
Auditor's Report
Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to the Financial Statements
Schedule 1 – Schedule of Expenses by Object
Schedule 2 – Schedule of Salaries and Benefits
Schedule 3 – Schedule of Contract Service Operators

ALBERTA MENTAL HEALTH BOARD

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FINANCIAL STATEMENTS

MARCH 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Alberta Mental Health Board ("the Board"). The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system provides management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. The Board has also established a code of conduct that applies to all employees.

The Board carries out its responsibility for the financial statements through the Audit and Resources Committee. This Committee meets with management and the Auditor General to review financial matters, and recommends the financial statements to the Board for approval. The Auditor General has full and free access to the Audit and Resources Committee.

The Auditor General provides an independent audit of the financial statements. His examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures, which allows him to report on the fairness of the financial statements prepared by management.

Ray Block
President & Chief Executive Officer

Steven Ritz, C.A.
Director, Administrative Services

AUDITOR GENERAL
Alberta

Auditor's Report

To the Members of the Alberta Mental Health Board
and the Minister of Health and Wellness

I have audited the statement of financial position of the Alberta Mental Health Board (the Board) as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
June 22, 2007

ALBERTA MENTAL HEALTH BOARD
STATEMENT OF FINANCIAL POSITION
March 31, 2007
(thousands of dollars)

	2007	2006
ASSETS		
Current:		
Cash and investments (Note 3)	$ 8,536	$ 1,385
Accounts receivable	3,191	203
Contributions receivable from Alberta Health and Wellness	12,436	3,061
Inventories	86	-
Prepaid expenses	1,342	779
	25,591	5,428
Non-current cash and investments (Note 3)	13,647	12,300
Capital assets (Note 4)	832	215
TOTAL ASSETS	$ 40,070	$ 17,943
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 2,772	$ 2,318
Accrued vacation pay	290	260
Deferred contributions (Note 5)	11,165	2,201
	14,227	4,779
Deferred contributions (Note 5)	13,785	1,071
Unamortized external capital contributions	18	41
	28,030	5,891
Commitments (Note 6)		
Net assets:		
Unrestricted (Note 7)	1,481	4,763
Internally restricted (Note 7)	9,745	7,115
Accumulated surplus	11,226	11,878
Investment in capital assets from internally funded sources	814	174
	12,040	12,052
TOTAL LIABILITIES AND NET ASSETS	$ 40,070	$ 17,943

The accompanying notes and schedules are part of these financial statements.

ALBERTA MENTAL HEALTH BOARD
STATEMENT OF OPERATIONS
March 31, 2007
(thousands of dollars)

	2007		2006
	Budget (Note 8)	Actual	Actual
Revenues			
Alberta Health and Wellness contributions (Note 9)	$ 46,695	$ 46,507	$ 42,944
Other government contributions (Note 10)	96	119	2
Donations	100	38	75
Investment and other income (Note 11)	562	1,056	721
Amortized external capital contributions	24	23	74
TOTAL REVENUES	47,477	47,743	43,816
Expenses (Schedule 1)			
Facility-based inpatient acute nursing services	15,512	15,337	14,291
Facility-based emergency and outpatient services	7,318	7,249	6,859
Community-based care	5,403	4,675	3,272
Diagnostic and therapeutic services	7,344	6,997	6,161
Promotion, prevention and protection services	4,067	3,946	2,067
Research and education	1,558	1,546	1,133
Administration (Note 12)	4,814	4,686	3,663
Information technology	1,131	697	595
Support services (Note 13)	2,634	2,622	2,123
TOTAL EXPENSES	49,781	47,755	40,164
(Deficiency) excess of revenues over expenses	$ (2,304)	$ (12)	$ 3,652

The accompanying notes and schedules are part of these financial statements.

ALBERTA MENTAL HEALTH BOARD
STATEMENT OF CHANGES IN NET ASSETS
MARCH 31, 2007
(thousands of dollars)

	2007			2006
	Accumulated Surplus (Note 7)	Investment in capital assets from internally funded sources	Total	Total
Balance at beginning of year	$ 11,878	$ 174	$ 12,052	$ 8,400
(Deficiency) excess of revenues over expenses	(12)	-	(12)	3,652
Capital assets purchased with internal funds	(768)	768	-	-
Disposal of internally funded capital assets	43	(43)	-	-
Amortization on internally funded capital assets	85	(85)	-	-
Balance at end of year	$ 11,226	$ 814	$ 12,040	$ 12,052

The accompanying notes and schedules are part of these financial statements.

ALBERTA MENTAL HEALTH BOARD
STATEMENT OF CASH FLOWS
MARCH 31, 2007
(thousands of dollars)

	2007	2006
Cash generated from (used by):		
Operating activities:		
(Deficiency) excess of revenues over expenses	$ (12)	$3,652
Non-cash transactions:		
Amortization of capital equipment - internally funded	85	34
- externally funded	23	74
Amortized external capital contributions	(23)	(74)
Amortization of premium (discount) on non-current investments	15	-
Gain on disposal of capital equipment	-	(8)
Loss on disposal of non-current investments	9	-
Interest accrued on non-current investments	(110)	-
Change in deferred contributions	21,678	1,897
Change in non-cash working capital accounts	(12,528)	(338)
	9,137	5,237
Investing activities:		
Purchase of non-current investments	(14,936)	-
Purchase of capital equipment - internally funded	(768)	(140)
Proceeds on sale of non-current investments	1,312	-
Proceeds on sale of capital equipment	43	8
Interest received on non-current investments	63	-
Allocations from (to) non-current cash	12,300	(5,672)
	(1,986)	(5,804)
Increase (decrease) in cash	7,151	(567)
Cash, beginning of year	1,385	1,952
Cash and investments, end of year	$ 8,536	$1,385

The accompanying notes and schedules are part of these financial statements.

ALBERTA MENTAL HEALTH BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

Note 1 Alberta Mental Health Board, Purpose and Operations

The Alberta Mental Health Board ("the Board") is a provincial health board established on April 1, 1999 by *Alberta Regulation 84/99* (AR84/99). The Board is exempt from payment of income tax and is a registered charity under the Income Tax Act.

The Board receives its mandate from and reports to the Minister of Alberta Health and Wellness. In its role of advancing mental health for Alberta, the Board is involved in numerous initiatives, including advocacy, policy advice, working with the regional health authorities ("RHAs") and stakeholders in the implementation of the Provincial Mental Health Plan, and collaborating with inter-provincial, national and international partners.

In fulfilling its mandate, the Board advances a significant portion of its budget to RHAs and other contract service operators. During fiscal 2007, such transactions represented 79% of total expenses (2006 - 80%). Details are presented in Schedule 3.

Note 2 Significant Accounting Policies and Reporting Practices

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health & Wellness' Financial Directive 29. Following are the significant accounting policies:

(a) Revenue Recognition

These financial statements are prepared using the deferral method, of which the key elements are:

(i) Unrestricted operating grants and other contributions are recognized as revenue in the year receivable.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(ii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Amounts invested, representing externally funded capital assets, are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the period in which the related amortization expense of the capital asset is recorded.

(iii) Externally restricted non-capital contributions are recognized as revenue in the year proportional to the related expenses incurred, subject to the terms and conditions of the contribution.

(iv) Unrestricted investment income is recognized in the year earned.

(v) Investment income subject to external restrictions is deferred and recognized as revenue in the year the related expenses are incurred.

(vi) Donations and contributions in kind are recorded at fair value when such value can be reasonably determined.

(b) Employee Future Benefits

The Board participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for the Board's participating employees, based on years of service and earnings. Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Board has insufficient information to apply defined benefit plan accounting.

Pension costs in the statements comprise the employer's contributions required for its employees during the year, based on rates expected to provide benefits payable under the pension plans. The Board does not record its portion of the plan's deficit or surplus.

The Board fully accrues its obligations for employee non-pension future benefits.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Investments

Non-current investments are recorded at cost unless there was an other-than-temporary impairment in value. At that time, the value is reduced. Discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains or losses on disposal are recognized in the period of disposal.

(d) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, contributions receivable from Alberta Health and Wellness, accounts payable and accrued liabilities, and accrued vacation pay approximates fair value because of the short-term maturity of these items. The fair value of investments is disclosed in note 3.

The Board does not have any off-balance sheet financial instruments.

(e) Inventories

Inventories are valued at the lower of cost (defined as first-in, first-out) or net realizable value.

(f) Capital Assets

Capital assets and work in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed on acquisition. Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Furniture, equipment and vehicle (collectively "Equipment")	5-15 years
Information technology	5 years
Leasehold improvements	5 years

Work in progress is not amortized until the project is complete.

(g) Measurement Uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. The classification of deferred contributions as current and non-current is based on estimates of the revenue to be recognized in the next fiscal year for externally restricted non-capital contributions. Actual results could differ from these estimates due to changes in the timeline, scope or nature of the relevant operations.

Note 3 Cash and Investments

	2007	2006
	(thousands of dollars)	
Cash	$ 120	$ 13,685
Money Market Securities	8,416	-
Bonds	10,082	-
Equities	3,565	-
Total	$ 22,183	$ 13,685
Classified as:		
Current	$ 8,536	$ 1,385
Non-current	13,647	12,300
	$ 22,183	$ 13,685
Market value of total cash and investments	$ 22,282	$ 13,685

(a) Income and financial returns on cash and investments are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investment will change in value due to future fluctuations in market prices.

To earn optimal financial returns at an acceptable level of risk, management has established an asset mix policy of 20% to 100% for cash and cash equivalents, 40% to 60% for fixed income instruments and 0% to 20% for equities. Non-Canadian equities are further limited to 30% of the equity portfolio. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed income and equity instruments.

(b) Money market securities include Government of Canada treasury bills maturing between five to forty-seven days and bear interest at an average effective yield of 4.45% per annum.

(c) Publicly traded fixed income instruments are managed with the objective of providing optimal returns while maintaining maximum security of capital. Return is optimized within risk constraints on the portfolio by management of portfolio duration and issuer mix. Fixed income securities are invested in bonds with a rating of A or higher.

The bonds have an average effective yield of 4.14% per annum and have the following maturity structure as at March 31, 2007:

1 - 5 years	34.8%
5 - 10 years	36.5%
Over 10 years	28.7%

Note 3 Cash and Investments (continued)

(d) Equities are comprised of units in a pooled equity portfolio that includes publicly traded securities in a major stock market. Risk is reduced by prudent security selection and sector rotation.

	2007	2006
	(thousands of dollars)	
Non-current cash and investments represent the following:		
Externally restricted for operating purposes	$ 3,480	$ -
Internally restricted for capital purposes	768	1,536
Internally restricted for operating purposes	6,361	4,432
Unrestricted cash and investments not held for current purposes	3,038	6,332
	$ 13,647	$ 12,300

Note 4 Capital Assets

Cost
(thousands of dollars)

Capital Asset	Opening Balance Apr-1-06	Additions	Disposals	Closing Balance Mar-31-07
Equipment	$ 557	$ 99	$ 322	$ 334
Information Technology	55	359	14	400
Leasehold Improvements	-	268	-	268
Work in Progress	-	42	-	42
	$ 612	$ 768	$ 336	$ 1,044

Accumulated Amortization
(thousands of dollars)

Opening Balance Apr-1-06	Current year amortization	Amortization on Disposals	Closing Balance Mar-31-07	Net Book Value 2007	Net Book Value 2006
$ 360	$ 50	$ 279	$ 131	$ 203	$ 197
37	45	14	68	332	18
-	13	-	13	255	-
-	-	-	-	42	-
$ 397	$ 108	$ 293	$ 212	$ 832	$ 215

Note 4 Capital Assets (continued)

Capital assets were funded from the following sources:

	2007	2006
	(thousands of dollars)	
Externally funded *(unamortized external capital contributions)*	$ 18	$ 41
Internally funded *(invested in capital assets)*	814	174
	$ 832	$ 215

Note 5 Deferred Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
	(thousands of dollars)	
Current		
Childrens Mental Health Projects	$ 8,599	$ -
Mental Health Innovation Projects	1,064	1,115
Aboriginal Youth Suicide Program	949	556
Telemental Health Clinical	263	201
Alberta Centennial Mental Health Research Chairs Program	145	-
Mental Health Research Showcase	75	-
Information Security Compliance	70	329
	11,165	2,201
Non-Current		
Childrens Mental Health Projects	69	-
Mental Health Innovation Projects	221	301
Aboriginal Youth Suicide Program	369	639
Telemental Health Clinical	99	131
Alberta Centennial Mental Health Research Chairs Program	2,855	-
Information Security Compliance	172	-
Community Treatment Orders / Special Mental Health	10,000	-
	13,785	1,071
	$ 24,950	$ 3,272

Note 6 Commitments

(a) Leases

The Board is contractually committed to future operating lease payments until 2012 as follows:

For the year ended March 31	(thousands of dollars)
2008	$725
2009	728
2010	585
2011	585
2012	332

(b) Contract Service Operators

The Board contracts on an ongoing basis and for externally restricted initiatives with contract service operators to provide various services in the mandate of the Board (Schedule 3). As measured by percentage of total expense, the Board has contracted or anticipates to contract for services in the year ending March 31, 2008 similar to those provided by these operators in 2007.

Note 7 Accumulated Surplus

The Board's accumulated surplus comprises the following:

	2007	2006
	(thousands of dollars)	
Unrestricted net assets	$ 1,481	$ 4,763
Internally restricted net assets		
Research	4,053	4,071
Board Priorities	3,000	-
Mental Health Capacity Building for Children and Families	1,368	-
Future capital expenditures	928	1,960
Provincial Mental Health Plan	363	708
Mental health services and programs	-	250
Patient Advocate	33	126
	9,745	7,115
	$ 11,226	$ 11,878

Note 8 Budget

	2006/2007 Approved Budget[1]	Adjustments[2]	2006/2007 Reported Budget
	(thousands of dollars)		
Revenues			
Alberta Health and Wellness contributions	$ 46,695	$ -	$ 46,695
Other government contributions	96	-	96
Donations	100	-	100
Investment and other income	562	-	562
Amortization of external capital contributions	24	-	24
TOTAL REVENUES	47,477	-	47,477
Expenses			
Facility-based inpatient acute nursing services	14,647	865	15,512
Facility-based emergency and outpatient services	6,694	624	7,318
Community-based care	5,991	(588)	5,403
Diagnostic and therapeutic services	6,408	936	7,344
Promotion, prevention and protection services	4,079	(12)	4,067
Research and education	1,558	-	1,558
Administration	6,386	(1,572)	4,814
Information technology	1,131	-	1,131
Support services	2,887	(253)	2,634
TOTAL EXPENSES	49,781	-	49,781
Deficiency of revenues over expenses	$ (2,304)	$ -	$ (2,304)

[1] The 2007 budget was approved by the board of the Alberta Mental Health Board on March 17th, 2006 and submitted to the Minister of Health and Wellness for approval.

[2] Adjustments relate to classification changes to ensure budgeted expenses conform with actual reporting classifications.

Note 9 Alberta Health and Wellness Contributions

	2007	2006
	(thousands of dollars)	
Unrestricted contributions	$ 44,943	$ 42,448
Transfers from deferred contributions	1,564	496
	$ 46,507	$ 42,944

Note 10 Other Government Contributions

	2007	2006
	(thousands of dollars)	
Alberta Government		
Transfers from deferred contributions	$ 44	$ -
Other	75	2
	$ 119	$ 2

Note 11 Investment and other income

	2007	2006
	(thousands of dollars)	
Investment income	$ 540	$ 335
Other income	516	386
	$ 1,056	$ 721

Investment income comprises interest, amortization of discounts and premiums, and net gains and losses on disposal of investments. Other income primarily comprises conference registration fees and sponsorships, course registration fees, contract revenue to support the Telehealth Scheduling System and other cost recoveries. The contract revenue to support the Telehealth Scheduling System includes $118,000 from ministries of the Province (2006 - $71,000).

Note 12 Administration

	2007	2006
	(thousands of dollars)	
General administration[1]	$ 4,351	$ 3,404
Administration - contract service operators (Schedule 3)[2]	10	17
Finance	286	205
Human resources	39	37
	$ 4,686	$ 3,663

Note 12 Administration (continued)

[1] General administration includes costs relating to the following types of activities that do not meet the criteria for inclusion in other expense categories:

- Promoting and supporting implementation of the made-in-Alberta approach outlined in the Provincial Mental Health Plan, *Advancing the Mental Health Agenda (April 2004)*;
- Bringing a provincial perspective to programming and support for regional mental health service delivery;
- Strengthening advocacy and consumer support;
- Advising on policy; and
- Collaborating with inter-provincial, national and international partners.

[2] The cost of contracted services is allocated to the appropriate expense categories as if the Board directly performed the activities. Where information is unobtainable, the Board uses a systematic and rational basis for the allocation.

Note 13 Support services

	2007	2006
	(thousands of dollars)	
Support services - contract service operators (Schedule 3)[1]	$ 2,054	$ 1,752
Building maintenance and operations	568	371
	$ 2,622	$ 2,123

[1] The cost of contracted services is allocated to the appropriate expense categories as if the Board directly performed the activities. Where information is unobtainable, the Board uses a systematic and rational basis for the allocation.

Note 14 Related Parties

(a) Province of Alberta

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

The Board is established under the Regional Health Authorities Act. The Minister of Health and Wellness appoints the members. The Board is economically dependent upon the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry.

Note 14 Related Parties (continued)

Transactions between the Board and ministries of the Province are disclosed in the Statement of Operations and in notes 9, 10 and 11 and Schedule 1 to the financial statements. As at March 31, 2007, no amount is receivable from the Ministry of Health and Wellness other than contributions receivable (2006 - $21,000); $3,000,000 is receivable from the Ministry of Advanced Education and Technology (2006 - $0). As at March 31, 2007, $303,000 is payable to the Ministry of Infrastructure and Transportation (2006 - $179,000).

The Board had the following transactions with other related parties recorded in the Statement of Financial Position and Statement of Operations at the amounts agreed upon by the parties:

	Receivable from:		Payable to:	
	2007	2006	2007	2006
	(thousands of dollars)			
Capital Health[1]	$ -	$ -	$ 475	$ 690
Calgary Health Region[1]	-	10	316	189
Other Regional Health Authorities	54	32	264	34
AADAC	-	-	182	192
School Boards & Schools	-	-	179	-
	$ 54	$ 42	$ 1,416	$ 1,105

	Revenue		Expenses	
	2007	2006	2007	2006
	(thousands of dollars)			
Capital Health	$ 6	$ 7	$ 22,548	$ 21,465
Calgary Health Region	4	35	10,902	8,800
Other Regional Health Authorities	57	34	1,128	166
AADAC	5	-	757	756
School Boards & Schools	-	-	809	-
	$ 72	$ 76	$ 36,144	$ 31,187

[1] In addition to the payables to Capital Health and Calgary Health Region, $141,000 and $897,000, respectively, are presented as a Prepaid expense in the Statement of Financial Position as the Board expects to apply the amounts to expenses with Capital Health and Calgary Health Region in fiscal 2008 (2006: Capital Health - $0; Calgary Health Region - $595,000).

Note 14 **Related Parties (continued)**

(b) Other Contract Service Operators

The Board has an economic interest through its contracts with other service operators for mental health justice initiatives and mental health promotion and prevention services in the Province. Details are presented in Schedule 3.

Note 15 **Pension Costs**

The Board participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. Pension expense in these financial statements is equal to the Board's annual contributions payable of $286,000 for the year ended March 31, 2007 (2006 - $251,000).

At December 31, 2006, the Local Authorities Pension Plan reported a deficiency of $746,651,000 (2005 - $863,558,000).

Note 16 **Comparative Figures**

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

Note 17 **Approval of Financial Statements**

These financial statements have been approved by the Board.

Schedule 1

ALBERTA MENTAL HEALTH BOARD
SCHEDULE OF EXPENSES BY OBJECT
FOR YEAR ENDED MARCH 31, 2007

	(thousands of dollars)		
	Budget (Note 8)	2007	2006
Salaries and benefits (Schedule 2)	$ 4,719	$ 4,659	$ 4,016
Contracts with health service operators (Schedule 3)	39,233	37,556	32,135
Other contracted services	2,442	2,458	1,780
Other expenses[1]	3,312	2,974	2,125
Amortization of capital equipment:			
- internally funded	51	85	34
- externally funded	24	23	74
	$ 49,781	$ 47,755	$ 40,164
[1] Other expenses:			
Promotion, prevention, and educational materials	$ 545	$ 302	$ 257
Facility rent[2]	466	521	353
Travel	461	566	381
Administrative services referred out to Capital Health	571	384	440
Miscellaneous	1,269	1,201	694
	$ 3,312	$ 2,974	$ 2,125

[2] The 2007 fiscal year includes office lease costs of $128,000 payable to Alberta Infrastructure and Transportation under the terms of the lease agreements (2006 $179,000).

ALBERTA MENTAL HEALTH BOARD
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

Schedule 2

	2007							2006	
					Severance [4]				
	Number of Individuals [1]	Salaries and Honoraria [2]	Benefits and Allowances [3]	Sub-Total	Number of Individuals	Amount	Total	Number of Individuals [1]	Total Salaries, Honoraria, Benefits [2,3]
Board Compensation									
Board Chairperson									
Ference, Jean (Dr.)	1	$ 6	$ -	$ 6	-	$ -	$ 6	-	$ -
Read, John G. (Dr.)	1	7	-	7	-	-	7	1	9
Board Members									
Bunce, Neil	-	-	-	-	-	-	-	1	2
Desbarats, Susan	1	1	-	1	-	-	1	1	3
Fielding, Alan	1	4	-	4	-	-	4	1	3
Horne, Fred	1	2	-	2	-	-	2	-	-
Laforce-Fertig, Louise	1	5	-	5	-	-	5	1	5
Marrie, Thomas J. (Dr.)	-	-	-	-	-	-	-	1	2
McBain, Harold	1	4	-	4	-	-	4	-	-
Mikkelsen, David	1	2	-	2	-	-	2	1	4
Preston, Jerry	1	5	-	5	-	-	5	1	5
Stenhauer, Sharon	1	4	-	4	-	-	4	1	4
Taylor, Ruth (Dr.)	1	5	-	5	-	-	5	1	3
Total honoraria	11	45	-	45	-	-	45	10	40
Staff									
Mental Health Patient Advocate Office	3.00	259	36	295	1.00	98	393	3.00	286
President & Chief Executive Officer [5]	1.00	242	19	261	-	-	261	1.00	236
Management persons reporting to the President & CEO:									
Vice President, Advocacy, Innovation & Monitoring	1.00	200	19	219	-	-	219	1.00	201
Vice President, Programs & Research	1.00	200	19	219	-	-	219	1.00	198
Executive Director, Childrens Mental Health	0.50	67	2	69	-	-	69	-	-
Other management persons reporting directly to those above	9.00	906	153	1,059	-	-	1,059	8.50	1,047
Other management	4.45	399	62	461	-	-	461	3.12	315
Other staff	28.72	1,633	300	1,933	-	-	1,933	24.88	1,693
Total staff	48.67	3,906	610	4,516	1.00	98	4,614	42.50	3,976
Total	**59.67**	**$ 3,951**	**$ 610**	**$ 4,561**	**1.00**	**$ 98**	**$ 4,659**	**52.50**	**$ 4,016**

See accompanying information on the following page.

Schedule 2 (continued)

SCHEDULE OF SALARIES AND BENEFITS, FOR THE YEAR ENDED MARCH 31, 2007

1. Number of individuals for staff is determined at the rate of 2,023 annual hours for each full-time employee. Total actual discrete number of individuals employed for staff: 69 (2006 - 59). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.

2. Salaries include regular base pay, lump sum payments, honoraria, sick leave, short-term disability, earned vacation leave and other remuneration.

3. Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out-of-country medical benefits, group life insurance, accidental death and dismemberment, long and short-term disability plans, Canada Pension Plan, employment insurance, and workers compensation. Professional development and membership costs may also be paid on behalf of or reimbursed to employees but such amounts are not included under benefits and allowances.

4. Severance includes direct or indirect payments to individuals upon termination, which are not included in salaries, honoraria, benefits and allowances.

5. The President & Chief Executive Officer is provided with an automobile; no dollar amount in respect of automobile costs is included under benefits and allowances.

ALBERTA MENTAL HEALTH BOARD
SCHEDULE OF CONTRACT SERVICE OPERATORS
FOR THE YEAR ENDED MARCH 31, 2007
(thousands of dollars)

Schedule 3

	Direct Region Funding	Facility-based inpatient acute nursing services	Facility-based emergency & outpatient services	Community & home based services	Diagnostic & therapeutic services	Promotion prevention & protection services	Research and education	Administration	Information technology	Support services	Total Expenditures
A. Health Authorities											
Capital Health - Forensics	$ 20,767	$ 11,872	$ 4,605	$ 1,192	$ 3,098	$ -	$ -	$ -	$ -	$ -	20,767
Capital Health - Other	1,399	-	26	570	372	16	15	-	397	3	1,399
Calgary Health Region - Forensics	9,414	3,273	1,628	440	2,075	-	-	-	-	1,998	9,414
Calgary Health Region - Other	1,461	-	-	917	282	215	4	-	-	43	1,461
David Thomson Health Region	403	-	21	216	148	12	6	-	-	-	403
Chinook Health Region	357	-	-	206	84	46	4	10	-	7	357
Palliser Health Region	233	-	-	133	91	9	-	-	-	-	233
Other Regional Health Authorities	105	-	-	48	9	43	2	-	-	3	105
B. Other Contract Service Operators											
School Boards & Schools	809	-	-	-	139	670	-	-	-	-	809
AADAC	757	-	-	448	309	-	-	-	-	-	757
Homefront	518	-	-	307	211	-	-	-	-	-	518
Centre for Suicide Prevention	360	-	-	-	-	360	-	-	-	-	360
Schizophrenia Society of Alberta	219	-	-	-	-	219	-	-	-	-	219
Institute of Health Economics	120	-	-	-	-	-	120	-	-	-	120
Canadian Mental Health Association	140	-	-	-	-	134	6	-	-	-	140
Alberta Network for Mental Health	100	-	-	-	-	100	-	-	-	-	100
Other agencies & service providers	394	-	71	-	-	254	69	-	-	-	394
Total 2006/07	$ 37,556	$ 15,145	$ 6,351	$ 4,477	$ 6,818	$ 2,078	$ 226	$ 10	$ 397	$ 2,054	$ 37,556
Total 2005/06	$ 32,135	$ 14,148	$ 5,613	$ 3,086	$ 5,993	$ 1,032	$ 97	$ 17	$ 397	$ 1,752	$ 32,135

ALBERTA CANCER BOARD

FINANCIAL STATEMENTS

MARCH 31, 2007

Statement of Management Responsibility

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 - Schedule of Expenses by Object

Schedule 2 - Schedule of Salaries and Benefits

ALBERTA CANCER BOARD

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FINANCIAL STATEMENTS

MARCH 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Board. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards, procedures, a formal authorization structure, and satisfactory processes to review internal controls. This system offers management reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded. The Board has established a code of ethics and corporate directives, which include communication of the code to employees.

The Board members carry out their responsibility for the financial statements through the Finance Committee. This Committee meets with management and the external auditor, the Auditor General of Alberta to review financial matters, and recommends the financial statements to the Alberta Cancer Board for approval. The external auditor has free access to the Finance Committee.

The external auditor, the Auditor General of Alberta, provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and procedures which allow them to report on the fairness of the financial statements prepared by management.

Dr. Jean-Michel Turc
Chief Executive Officer

Aslam Bhatti
Chief Financial Officer

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Members of the Alberta Cancer Board
and the Minister of Health and Wellness

I have audited the statement of financial position of the Alberta Cancer Board as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 16, 2007

ALBERTA CANCER BOARD
STATEMENT OF FINANCIAL POSITION
March 31, 2007
(in thousands)

	2007 Actual	2006 Actual (Restated - Note 2)
ASSETS		
Current:		
Cash and investments (Note 4)	$ 60,732	$ 46,477
Accounts receivable	6,281	7,087
Contributions receivable from Alberta Health and Wellness	11,958	1,393
Inventories	8,411	7,092
Prepaid expenses	1,886	880
	89,268	62,929
Non-current cash and investments (Note 4)	41,888	43,651
Capital assets (Note 5)	149,204	144,607
Other assets (Note 17)	808	768
TOTAL ASSETS	$ 281,168	$ 251,955
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 43,094	$ 42,515
Accrued vacation pay	7,375	6,550
Deferred contributions (Note 6)	44,606	26,154
	95,075	75,219
Deferred capital contributions (Note 7)	11,564	10,381
Unamortized external capital contributions	114,486	115,536
	221,125	201,136
Commitments and contingencies (Note 9)		
Net assets		
Accumulated surplus (Note 8)	25,325	21,748
Investment in capital assets from internally funded sources	34,718	29,071
Operating net assets	60,043	50,819
TOTAL LIABILITIES AND NET ASSETS	$ 281,168	$ 251,955

The accompanying notes and schedules are part of these financial statements.

ALBERTA CANCER BOARD
STATEMENT OF OPERATIONS
March 31, 2007
(in thousands)

	2007 Budget (Note 10)	2007 Actual	2006 Actual (Restated - Note 2)
Revenue			
Alberta Health and Wellness contributions (Note 11)	$ 286,563	$ 266,433	$ 242,937
Other government contributions (Note 12)	2,945	2,187	2,758
Fees and charges	7,387	6,486	6,825
Ancillary operations, net (Note 13)	775	636	873
Donations	15,290	6,163	6,730
Research and education	13,763	33,285	12,692
Investment and other income (Note 14)	19,118	25,252	19,862
Amortized external capital contributions	13,278	13,490	12,877
TOTAL REVENUE	359,119	353,932	305,554
Expenses (Schedule 1)			
Facility-based inpatient acute nursing services	16,562	15,615	14,666
Facility-based emergency and outpatient services	95,192	90,041	78,311
Community-based care	36,441	32,244	28,125
Diagnostic and therapeutic services	79,930	78,042	70,337
Promotion, prevention and protection services	31,526	14,927	12,387
Research and education	43,207	52,959	29,358
Administration	9,903	9,631	8,597
Information technology	12,125	12,475	10,331
Support services	29,086	33,618	26,966
Amortization of facilities and improvements	5,147	5,156	4,769
TOTAL EXPENSES	359,119	344,708	283,847
Excess of revenue over expenses	$ -	$ 9,224	$ 21,707

ALBERTA CANCER BOARD
STATEMENT OF CHANGES IN NET ASSETS
March 31, 2007
(in thousands)

	2007 Accumulated surplus (Note 8)	2007 Investment in capital assets from internally funded sources	2007 Total	2006 (Restated - Note 2) Total
Balance at beginning of year as previously reported	$ 26,225	$ 27,958	$ 54,183	$ 29,857
Adjustment to opening net assets (Note 2)	(4,477)	1,113	(3,364)	(664)
Balance at beginning of year restated	$ 21,748	$ 29,071	$ 50,819	$ 29,193
Excess of revenue over expenses	9,224	-	9,224	21,707
Capital assets purchased with internal funds	(11,195)	11,195	-	-
Amortization of internally funded capital assets	5,548	(5,548)	-	-
Other - transfer to external funding	-	-	-	(81)
Balance at end of year	$ 25,325	$ 34,718	$ 60,043	$ 50,819

ALBERTA CANCER BOARD
STATEMENT OF CASH FLOWS
March 31, 2007
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 2)
Cash generated from (used by):			
Operating activities:			
Excess of revenue over expenses	$ -	$ 9,224	$ 21,707
Non-cash transactions:			
Amortization of capital equipment - internally funded	4,424	5,548	3,748
- externally funded	8,559	8,320	8,120
Amortization of facilities and improvements	5,136	5,345	4,946
Amortized external capital contributions	(13,695)	(13,679)	(13,066)
Loss on disposal of capital equipment	-	10	140
Changes in non-cash working capital account	(3,238)	11,075	15,729
Cash generated from operations	1,186	25,843	41,324
Investing activities:			
Purchase of non-current cash and investments	(10,000)	(13,174)	(10,971)
Purchase of capital assets:			
internally funded	(12,556)	(10,265)	(11,538)
externally funded - equipment	(11,271)	(12,629)	(3,849)
internally funded - facility and improvements	-	(930)	-
externally funded - facility and improvements	(8,419)	-	(4,643)
net change in working capital (Note 5)	-	(3,303)	-
Proceeds on sale of non-current cash and investments	10,000	11,204	8,862
Proceeds on disposal of capital assets	-	4	-
Deferred capital contributions transfered to operations	-	(740)	-
Allocations (to) from other assets	-	(40)	9
Allocations (to) from non-current cash and investments	(2,016)	3,733	(2,344)
Cash used by investing activities	(34,262)	(26,140)	(24,474)
Financing activities:			
Capital contributions received	11,937	14,552	9,200
Cash generated from financing activities	11,937	14,552	9,200
(Decrease) increase in cash and investments	(21,139)	14,255	26,050
Cash and investments, beginning of year	46,477	46,477	20,427
Cash and investments, end of year	$ 25,338	$ 60,732	$ 46,477

ALBERTA CANCER BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007
(in thousands)

Note 1 Authority, Purpose and Operations

The Alberta Cancer Board (the "Board") was established in 1967 and now operates under the Cancer Programs Act Chapter C-2, Revised Statutes of Alberta, 2000.

The Board is exempt from payment of income tax.

The Board provides cancer services to Albertans through research, diagnosis, treatment, education and prevention programs and it coordinates, in cooperation with others, the planning, development and delivery of provincial cancer services.

The Board's operations include the following facilities and sites:

- Cross Cancer Institute – Edmonton
- Tom Baker Cancer Centre – Calgary
- Regional Cancer Clinics – Grande Prairie, Red Deer, Lethbridge and Medicine Hat
- Community Cancer Centers – Camrose, Hinton, Barrhead, Bonnyville, Drumheller, High River, Peace River, Fort McMurray, Canmore, Lloydminster and Drayton Valley
- Breast screening sites – Edmonton and Calgary – plus three mobile vans
- Edmonton Radiopharmaceutical Centre – Edmonton
- Southern Alberta Cancer Research Centre – Calgary

These financial statements do not include the assets, liabilities and operations of the Alberta Cancer Foundation, the Cross Cancer Institute Volunteer Association, or private facilities providing health services in the province, except as disclosed in Note 15.

Note 2 Prior Period Adjustments

(a) During the year, the Board corrected, retroactively with restatement, its accounting for equipment recorded as purchased with external funds that should have been recorded as purchased with internal funds. A receivable had been recorded when no item was recoverable.

(b) Additionally, during the year, the Board corrected, retroactively with restatement, its expense recognition for research grants approved by the Board. Liabilities for future periods were not recognized until the year in which they were due resulting in an understatement of expenses and liabilities in the year approved by the Board.

Note 2 Prior Period Adjustments (continued)

	2006			
	As Previously Reported	Prior Period Adjustment		As Restated
		Note 2 (a)	Note 2 (b)	
Accounts receivable	$ 8,549	$ (1,462)	$ -	$ 7,087
Accounts payable and accrued liabilities	39,500	-	3,015	42,515
Unamortized external capital contributions	116,649	(1,113)	-	115,536
Accumulated surplus	26,225	(1,462)	(3,015)	21,748
Investment in capital assets	27,958	1,113	-	29,071
Excess of revenue over expenses	24,407	(364)	(2,336)	21,707

Note 3 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

(1) These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness' Financial Directive 29.

(2) These financial statements use the deferral method, key elements of which are:

(i) Unrestricted contributions are recognized as revenue in the year receivable.

(ii) Externally restricted contributions are recognized as revenue in the year proportional to the related expenses incurred.

(iii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Invested amounts are transferred to unamortized external capital contributions and then recognized as revenue in the period the related amortization expense of the capital asset is recorded.

(iv) Endowments and restricted contributions to purchase capital assets that will not be amortized are treated as direct increases to net assets.

(v) Unrestricted investment income is recognized in the year earned.

(vi) Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as a direct increase to net assets, or deferred and recognized as revenue in the year the related expenses are incurred.

(vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

Note 3 Significant Accounting Policies and Reporting Practices (continued)

(b) Full Cost

The Board accounts for all costs and revenues from services or goods for which it is responsible and the fair value of costs of services or goods are recorded. Fair value transactions comprise other assets, supplies and services that would otherwise have been purchased and are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. The value of volunteers' contributed services is not reported because a fair value cannot be reasonably determined.

(c) Employee Future Benefits

The Board participates in the Public Service Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees, based on years of service and earnings. Defined contribution plan accounting is applied where the Board has insufficient information to apply defined benefit plan accounting.

Pension costs comprise the employer's contributions for its employees during the year, based on rates expected to provide benefits payable under the pension plans. The Board does not record its portion of the plans' deficit or surplus.

The Board has a Supplemental Executive Retirement Plan (SERP) for certain management staff. The Board's benefit obligations are based on the projected benefit method prorated on services valuation that includes employee service to date and present compensation levels as well as a projection of salaries and service to retirement. No cash payments are made to staff relating to this plan until their retirement. All actuarial gains and losses are amortized over the average remaining life of employees in the plan.

The Board fully accrues its obligations for employee non-pension future benefits.

(d) Investments

Non-current investments are recorded at cost unless there was an other-than-temporary impairment in value. At that time, the value is reduced. Discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains or losses on disposal are recognized in the period of disposal.

(e) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, contributions receivable from Alberta Health and Wellness, accounts payable and accrued liabilities, and accrued vacation pay approximates their fair value because of the short-term maturity of these items.

(f) Inventories

Inventories are valued at the lower of cost (moving cost average) or net realizable value.

Note 3 Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets

Capital assets and construction in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed. Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Buildings	40 years
Land improvements	20 years
Parkade	30 years
Building service equipment	20 years
Vehicles and equipment	5-20 years

Construction in progress is not amortized until the project is complete. Leases transferring substantially all benefits and risks of capital asset ownership are reported as capital asset acquisitions financed by long-term obligations.

(h) Research Grants

The Board awards grants to carry out cancer research to agencies that are successful applicants through the Board's Research Grant application process. Grants are awarded for projects ranging from one to three years in length. The Board records the full value of the grant awarded as an expense when it has been approved and when the agreement between the Board and the principal investigator has been executed.

(i) Measurement Uncertainty

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Significant management estimates include the amortization period of capital assets, the completeness of accrued liabilities, accounts receivable allowance for doubtful accounts and economic assumptions related to the Supplemental Executive Retirement Plan. Actual results could differ from estimates.

Note 4 Cash and Investments

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Cash on deposit	$ 1,187	$ 1,187	$ 1,318	$ 1,318
CCITF - operations	59,545	59,545	45,159	45,159
CCITF - capital (non-current)	5,445	5,445	8,870	8,870
	66,177	66,177	55,347	55,347
Money market securities	723	723	456	456
Fixed income securities:				
Canadian federal and provincial government bonds	8,209	8,379	9,799	10,033
Corporate bonds and debentures	12,055	12,202	8,885	8,681
Canadian equities	15,206	24,743	15,391	22,734
United States and foreign equities	250	249	250	248
	36,443	46,296	34,781	42,152
Total current and non-current cash and investments	102,620	112,473	90,128	97,499
Classified as:				
Current	60,732	60,732	46,477	46,477
Non-current	41,888	51,741	43,651	51,022
Total cash and investments	$ 102,620	$ 112,473	$ 90,128	$ 97,499

(i) The Consolidation Cash Investment Trust Fund ("CCITF") of the Province of Alberta is a demand account managed by Alberta Finance with the objective of providing competitive interest income to depositors while maintaining security and liquidity of depositors' capital. Interest is earned on the daily cash balance and the average rate of earnings of the CCITF varies depending on prevailing market interest rates. The rate of return for the year ended March 31, 2007 was 4.12% (March 31, 2006 - 2.90%).

(ii) To optimize returns at an acceptable risk level, management has established a policy asset mix of 45% to 55% for fixed income securities and 45% to 55% for equities. Risk is reduced through diversification.

(iii) Fixed income securities have an average effective yield of 5.2% (2006 – 5.3%) per annum for securities maturing between 1 and 30 years. As at March 31, 2007, the securities have the following maturity structure:

	%
Under 1 year	43%
1 to 5 years	17%
6 to 10 years	23%
Over 10 years	17%
	100%

Note 4 Cash and Investments (continued)

(iv) Equities comprise publicly-traded securities in major stock markets. Risk is reduced by prudent security selection and sector rotation.

Non-current cash and investments represent the following:

	2007	2006
Externally restricted for capital acquisitions (Note 7)	$ 11,564	$ 10,381
Internally restricted net assets (Note 8)	13,394	13,120
Unrestricted non-current investments	16,930	20,150
	$ 41,888	$ 43,651

Note 5 Capital Assets

Capital Asset	Cost: Opening Balance April 1, 2006	Transfers from Work in Progress	Additions	Disposals	Closing Balance March 31, 2007
Land	$ 4,556	$ -	$ -	$ -	$ 4,556
Art	146	-	-	-	146
Buildings	89,574	-	929	-	90,503
Building service equipment	39,087	-	-	-	39,087
Parkade	5,507	-	-	-	5,507
Equipment excluding IS	111,902	6,002	6,401	(410)	123,895
IS equipment	22,416	83	3,329	(566)	25,262
Construction in progress	2,670	-	6,705	-	9,375
Deposits on equipment	9,382	(7,963)	6,142	-	7,561
IS software and licenses	9,998	1,878	318	-	12,194
	$ 295,238	$ -	$ 23,824	$ (976)	$ 318,086

Included in Accounts payable and accrued liabilities are additions of $ 2,549 (2006 - $ 5,852)

Capital Asset	Accumulated Amortization: Opening Balance April 1, 2006	Current year amortization	Amortization on disposals	Closing Balance March 31, 2007	Net Book Value: 2007	2006
Land	$ -	$ -	$ -	$ -	$ 4,556	$ 4,556
Art	-	-	-	-	146	146
Buildings	42,312	3,520	-	45,832	44,671	47,262
Building service equipment	26,102	1,649	-	27,751	11,336	12,985
Parkade	3,042	189	-	3,231	2,276	2,465
Equipment excluding IS	60,213	9,020	(398)	68,835	55,060	51,689
IS equipment	13,415	2,960	(564)	15,811	9,451	9,001
Construction in progress	-	-	-	-	9,375	2,670
Deposits on equipment	-	-	-	-	7,561	9,382
IS software and licenses	5,547	1,875	-	7,422	4,772	4,451
	$ 150,631	$ 19,213	$ (962)	$ 168,882	$ 149,204	$ 144,607

Note 5 Capital Assets (continued)

(a) **Land and buildings**

Cost includes the appraised value at March 31, 1989 of the original Cross Cancer Institute land and building transferred to the Board from the Province of Alberta on that date. In the same year, the Mewburn Veterans Centre was transferred from Alberta Infrastructure to the Board. The appraised value of the building at the time of transfer was $5,620. The Board entered into a long-term lease of the building to the Capital Health Authority for a nominal rent and accordingly, the building has been recorded at nominal value.

In July, 1989, the Board and the University of Alberta (the "University") jointly completed the construction of a parkade on land owned by the University adjoining the Cross Cancer Institute. The Board incurred expenditures of $5,507 on the parkade which amounted to 62.5% of the cost of the parkade. In return, the University granted the Board 62.5% of the use of the parkade rent-free until the year 2009, with two additional five year renewal terms. The Board pays a portion of the parkade's operating costs.

Capital assets were funded from the following sources:

	2007	2006
Externally funded *(unamortized external capital contributions)*	$ 114,486	$ 115,536
Internally funded *(investment in capital assets)*	34,718	29,071
	$ 149,204	$ 144,607

Note 6 Deferred Contributions

The balance at the end of the year is restricted for the following purposes:

Current	2007	2006
Research	$ 8,606	$ 9,783
Programs and services	6,636	9,965
Capital projects and renovations	1,374	980
Clinical trials	4,851	5,426
Legacy fund program initiatives	23,139	-
	$ 44,606	$ 26,154

Note 7 Deferred Capital Contributions

The balance at the end of the year is restricted for the following purposes:

	2007	2006
Equipment replacement	$ 5,490	$ 2,638
New construction	3,315	6,125
Information technology equipment & software	2,436	976
New equipment	323	642
	$ 11,564	$ 10,381

Note 8 Accumulated Surplus

The Board's accumulated surplus comprises the following:

	2007	2006
Unrestricted net assets	$ 11,931	$ 8,628
Internally restricted net assets:		
Future equipment replacement and information technology upgrades	6,710	6,699
Breast Centre, Prostate Centre and Clinical Reserves	3,500	3,500
Edmonton Radiopharmaceutical Centre	3,184	2,921
	13,394	13,120
	$ 25,325	$ 21,748

Note 9 Commitments and Contingencies

(a) Commitments:

Future minimum lease payments under operating leases relating primarily to office and warehouse space are as follows:

2008	$ 1,756
2009	1,658
2010	1,638
2011	1,488
2012	1,243
Thereafter	3,251
	$ 11,034

The Board is also responsible for its portion of operating costs related to office and warehouse space.

Note 9 Commitments and Contingencies (continued)

b) Contingencies:

The Board is defendant in various lawsuits as of March 31, 2007. While it is not possible to estimate the ultimate liability with respect to the pending litigation, the Board is satisfied that there will be no material adverse impact on the financial position of the Board as of March 31, 2007.

Note 10 Budget

	2006/2007 Board Approved Budget (1)	Adjustments (2)	2006/2007 Reported Budget
Revenue			
Alberta Health and Wellness contributions	$ 286,541	$ 22	$ 286,563
Other government contributions	2,945	-	2,945
Fees and charges	7,387	-	7,387
Ancillary operations, net	775	-	775
Donations	15,290	-	15,290
Research and education	13,763	-	13,763
Investment and other income	19,118	-	19,118
Amortized external capital contributions	13,278	-	13,278
TOTAL REVENUE	359,097	22	359,119
Expenses			
Facility-based inpatient acute nursing services	16,109	453	16,562
Facility-based emergency and outpatient services	95,192	-	95,192
Community-based care	36,068	373	36,441
Diagnostic and therapeutic services	79,930	-	79,930
Promotion, prevention and protection services	31,114	412	31,526
Research and education	42,977	230	43,207
Administration	11,779	(1,876)	9,903
Information technology	12,125	-	12,125
Support services	28,656	430	29,086
Amortization of facilities and improvements	5,147	-	5,147
TOTAL EXPENSES	359,097	22	359,119
Excess of revenue over expenses	$ -	$ -	$ -

(1) The budget was approved by the Board April 12, 2006, and submitted to the Minister of Health and Wellness for approval.

(2) Over the course of the fiscal year, the Minister provided additional funding. The Board has allocated these additional resources. Additionally, budgetary reallocations are reflected to report expenses in accordance with the reporting requirements of the current Financial Directive.

Note 11 Alberta Health and Wellness Contributions

	2007	2006
Unrestricted contributions	$ 263,109	$ 239,476
Transfers from deferred contributions for:		
Information systems programs	132	34
Screening programs	1,619	2,982
Renovations and repairs	1,319	-
Telehealth program	254	445
	$ 266,433	$ 242,937

Note 12 Other Government Contributions

	2007	2006
Alberta Government		
Alberta Alcohol and Drug Abuse Commission	$ 36	$ 218
Government of Canada	2,151	2,540
	$ 2,187	$ 2,758

Note 13 Ancillary Operations

	2007				2006
	Non-Patient Food Services	Parking Operations	Edmonton Radiopharmaceutical Centre	Total	Total
Revenue	$ 1,344	$ 948	$ 4,722	$ 7,014	$ 6,793
Amortized external capital contributions	-	189	-	189	189
	1,344	1,137	4,722	7,203	6,982
Expenses	1,392	611	4,326	6,329	5,881
Amortization	6	189	43	238	228
	1,398	800	4,369	6,567	6,109
Excess (deficiency) of revenue over expenses	$ (54)	$ 337	$ 353	$ 636	$ 873

Note 14 Investment and Other Income

	2007	2006
Investment income	$ 4,158	$ 3,191
Drug rebates and other recoveries	16,602	12,563
Calgary Health Region Bone Marrow Transplant Program	4,492	4,108
	$ 25,252	$ 19,862

Investment income comprises interest, dividends, amortization of discounts (premiums) and net gains on disposal of investments.

Note 15 Related Parties

(a) Province of Alberta

The Minister of Health and Wellness appoints members of the Board. The Board is economically dependent on the Ministry of Health and Wellness (the "Ministry") since the viability of its ongoing operations depends on contributions from the Ministry. Transactions between the Board and the Ministry are disclosed in the Statement of Operations and in notes to the financial statements.

(b) Health Authorities

(i) The Board shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between the Authority and other health authorities are reported in the Statement of Operations.

(ii) Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

The Board had the following transactions with other related parties recorded in the Statement of Financial Position and Statement of Operations:

Balances

	Receivable from:		Payable to:	
	2007	2006	2007	2006
Calgary Health Region	$ 25	$ 1,031	$ 3,639	$ 3,399
Chinook Health Region	-	-	94	23
Paliser Health Region	-	-	-	26
David Thompson Health Region	-	-	149	139
East Central Health Region	-	-	-	94
Capital Health Region	-	-	138	73
Aspen Health Region	-	-	25	47
Peace Country Health Region	-	-	142	74
Northern Lights Health Region	-	-	10	18
	$ 25	$ 1,031	$ 4,197	$ 3,893

Note 15 Related Parties (continued)

Revenue and Expenses

	Revenue		Expenses	
	2007	2006	2007	2006
Calgary Health Region	$ 6,238	$ 5,924	$ 17,302	$ 12,971
Chinook Health Region	-	-	990	384
Paliser Health Region	-	-	-	306
David Thompson Health Region	147	48	1,202	494
East Central Health Region	55	-	-	327
Capital Health Region	122	45	2,316	2,001
Aspen Health Region	-	-	406	427
Peace Country Health Region	-	20	1,196	596
Northern Lights Health Region	-	-	127	114
	$ 6,562	$ 6,037	$ 23,539	$ 17,620

(c) Foundations

The following controlled foundations are not consolidated in these statements:

Alberta Cancer Foundation

The Board controls the Alberta Cancer Foundation (the "Foundation") which raises money for cancer research and other cancer related activities and services. The Foundation is registered with Revenue Canada as a charitable foundation.

The Foundation is not consolidated in these financial statements. If the Board had consolidated the Foundation, using the modified equity method, the unrestricted operating results, and unrestricted net assets would have increased by $2.3 million (2006 – $2.1 million) and $2.2 million (2006 - $3.2 million), respectively. Audited financial statements of the Foundation are available upon request. A financial summary of the Foundation as at March 31, 2007 and 2006 and for the years then ended is as follows:

	2007	2006 (restated)
Total assets	$ 78,495	$ 59,684
Total liabilities	547	903
Net Assets	$ 77,948	$ 58,781
Revenue	$ 28,159	$ 30,346
Expenses	8,992	19,184
Excess of revenue over expenses	$ 19,167	$ 11,162
Excess is comprised of:		
Restricted	$ 16,866	$ 9,096
Unrestricted	2,301	2,066
	$ 19,167	$ 11,162

Note 15 Related Parties (continued)

Contributions received by Board Year ended March 31,		Resources held by Foundation at March 31, 2007	
2007	2006	Externally Restricted	Unrestricted
$ 4,945	$ 10,283	$ 75,792	$ 2,157

(i) The Foundation transferred capital assets consisting of furniture and equipment at their net book value of $32 (2006 – nil) to the Board for nil consideration.

(ii) At March 31, 2007 the Board owed to the Foundation $46 which is included in Accounts payable and accrued liabilities (2006 - $667 due from the Foundation)

(d) Other Related Parties

The Board exercises significant influence over the Cross Cancer Institute Volunteer Association (the "Association") which was incorporated under the Societies Act of the Province of Alberta to provide services for the care and comfort of patients of the Cross Cancer Institute.

The net revenues were expended by the Association, at its discretion in accordance with the Board's objectives (see note 1).

A financial summary of the Association as at March 31, 2007 and 2006 and for the years then ended is as follows:

	2007	2006
Total assets	$ 631	$ 311
Total liabilities	249	37
Net assets	$ 382	$ 274
Revenue	$ 350	$ 348
Expenses	242	328
Excess of revenue over expenses	$ 108	$ 20

Note 16 Trust Funds

The Board receives funds in trust for conferences, etc. These amounts are not reported in the financial statements. During the year the Board received $291 and disbursed $267. The balance of funds held by the Board at March 31, 2007 is $275 (2006 - $251).

Note 17 Pension Costs

(a) Public Service Pension Plan (PSPP)

The Board participates in the PSPP, which is a multi-employer defined benefit plan. Pension expense in these financial statements is equal to the Board's annual contributions payable of $6,104 for the year ended March 31, 2007 (2006 - $5,164).

At December 31, 2006, the PSPP reported an actuarial surplus of $153,024 (2005 - deficit $187,704).

(b) Supplemental Executive Retirement Plan (SERP)

On April 1, 2004 the Board started a non-contributing defined benefit SERP for senior executives. A summary of the financial information is as follows:

Note 17 Pension Costs (continued)

(b) Supplemental Executive Retirement Plan (SERP) (continued)

	2007	2006
Accrued benefit obligation, beginning of year	$ 1,901	$ 1,392
Current service cost	309	258
Interest cost	119	96
Actuarial loss	257	155
Accrued benefit obligation, end of year	2,586	1,901
Funded status of plan (deficit)	(217)	(168)
Unamortized actuarial loss	470	270
Unamortized prior service costs	555	666
Accrued SERP asset	808	768
Current service cost	309	258
Interest cost	119	96
Amortization of prior service costs	111	111
Amortization of net actuarial loss	34	14
Expected return on plan assets	(55)	(26)
SERP expense	$ 518	$ 453
Assumptions at end of year		
Discount rate	5.2%	5.4%
Expected average remaining service life of employees	8 years	8 years
Salary scale increases	4%	3%

The above information is based on the annual actuarial valuation performed as of March 31, 2007.

Plan assets (held by trustee)				
Employer contributions		1,139		860
Actual return on plan assets		80		10
Taxes paid		(44)		(2)
Market value over cost		11		3
Fair value of assets - March 31, 2007		1,186		871
Fixed income	587		870	
Common stocks	599		-	
Cash on hand	-		1	
Plan assets (held by Canada Revenue Agency)				
Employer contributions paid as refundable taxes		1,139		860
Taxes paid on plan income		44		2
Total refundable taxes		1,183		862
Total plan assets		2,369		1,733
Funded status of plan - deficit		$ 217		$ 168

Note 18 Comparative Figures

Certain 2006 figures have been reclassified to match the 2007 presentation.

Note 19 Approval of Financial Statements

These financial statements have been approved by the Board.

Schedule 1

ALBERTA CANCER BOARD
SCHEDULE OF EXPENSES BY OBJECT
March 31, 2007
(in thousands)

	Budget (unaudited)	2007	2006 (Restated - Note 2)
Salaries and benefits (Schedule 2)	$ 120,656	$ 118,871	$ 105,712
Drugs and gases	85,425	81,205	69,514
Medical and surgical supplies	3,812	[illegible]	3,529
Other contracted services	36,931	42,[illegible]	35,287
Referred out services	27,141	26,775	20,688
Supplies	15,352	15,373	14,318
Equipment and IT maintenance	6,294	7,414	6,482
Other	51,602	36,347	17,612
Amortization:			
Capital equipment - internally funded	4,424	5,548	3,748
Capital equipment - externally funded	8,173	8,320	8,120
Facilities and improvements	5,336	5,345	4,946
	365,146	351,275	289,956
Less amounts reported in ancillary operations (Note 13)	6,027	6,567	6,109
	$ 359,119	$ 344,708	$ 283,847

ALBERTA CANCER BOARD
SCHEDULE OF SALARIES AND BENEFITS
March 31, 2007
(in thousands)

Schedule 2

	2007								2006				
	Number of Individuals[1]	Salaries and Honoraria [2]	Benefits and Allowances [3]	Supplemental Executive Retirement Plan[4]	Sub Total	Severance: Number of Individuals	Severance: Amount	Total	Number of Individuals[1]	Salaries, Honoraria, Benefits [2][3]	Supplemental Executive Retirement Plan[4]	Severance	Total
Board Chairperson													
Gary Campbell		$ 43			$ 43			$ 43		$ 47			$ 47
Board members (list)													
Jean Agrios		5			5			5		4			4
Jack Halpin		9			9			9		14			14
Allan Hargreaves		2			2			2		4			4
Ron Hierath		1			1			1		-			-
Patricia Jones		7			7			7		8			8
Richard Melchin		3			3			3		3			3
Irene Nicolson		8			8			8		7			7
Mary O'Neill		3			3			3		1			1
Brian Rogers		5			5			5		6			6
Cathy Roozen		3			3			3		1			1
Bronwyn Shoush		6			6			6		5			5
Gordon Ganong										3			3
Sub-total	-	95	-	-	95	-	-	95	-	103	-	-	103
Staff													
Chief Executive Officer	1.0	382	18	161	561			561	1.0	410	148		558
Management person(s) reporting to CEO:										-			
VP (Operations)	1.0	282	18	33	333			333	1.0	276	27		303
VP (Research)	0.6	87	1	-	88			88	0.6	94	-		94
VP (Population Health Information)	1.0	373	18	70	461			461	1.0	389	55		444
VP (Tom Baker Cancer Centre)	1.0	401	37	72	510	1.0	230	740	1.0	393	52		445
Other management reporting to VPs	32.0	3,302	496	-	3,798			3,798	27.0	2,796			2,796
Other management	313.0	18,839	3,178	-	22,017	5.0	172	22,189	250.0	18,137		134	18,271
Medical doctors not included above	21.0	4,963	477	-	5,440	1.0	146	5,586	23.0	5,681			5,681
- RNs, Reg. Psych. nurses, Grad nurses	259.0	19,762	3,032	-	22,794	-	-	22,794	250.0	21,358			21,358
- LPNs	4.0	139	23	-	162	-	-	162					-
Other health technical & professionals	491.0	36,194	5,634	-	41,828	1.0	-	41,828	456.0	35,782		28	35,810
Other staff	459.0	17,103	3,124	-	20,227	1.0	9	20,236	492.6	19,849			19,849
Total Staff Compensation	1,583.6	101,827	16,056	336	118,219	9.0	557	118,776	1,503.2	105,165	282	162	105,609
Grand Total	1,583.6	$ 101,922	$ 16,056	$ 336	$ 118,314	9.0	$ 557	$ 118,871	1,503.2	$ 105,268	$ 282	$ 162	$ 105,712

Schedule 2 (continued)

ALBERTA CANCER BOARD
SCHEDULE OF SALARIES AND BENEFITS
March 31, 2007

(1) Full Time Equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full-time employee. Total actual discrete number of individuals employed: 2,106 (2006 - 1,965). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.

(2) Salaries include regular base pay, overtime, lump sum payments, shift differential, honoraria, sick leave, short-term disability, earned vacation leave and other remuneration.

(3) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, Canada Pension Plan, employment insurance, workers compensation, professional memberships and tuition.

(4) Supplemental Executive Retirement Plans (SERPs) refer to future supplemental retirement payments to executive officers. Under the terms of the SERP, eligible executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. SERP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses and interest accruing on the actuarial liability.

	2007			2006
	Current Service Cost	Prior Service and Other Costs	Total	Total
Chief Executive Officer	62	99	161	148
VP Operations	27	6	33	27
VP Population Health Information	44	26	70	55
VP Tom Baker Cancer Centre	65	7	72	52

	Accrued Obligation March 31, 2006	Changes in Accrued Obligation	Accrued Obligation March 31, 2007
Chief Executive Officer	$ 888	$ 147	$ 1,035
VP Operations	72	67	139
VP Population Health Information	296	145	441
VP Tom Baker Cancer Centre	96	100	196

(5) Severance includes direct or indirect payments to individuals upon termination, which are not included in salaries, honoraria, benefits and allowances.

(6) The Chief Executive Officer is provided with an automobile. No dollar amount is included under benefits and allowances.

Alphabetical List of Entities' Financial Statements in Ministry 2006 – 07 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Access to the Future Fund[1]	Advanced Education and Technology
Agriculture Financial Services Corporation	Agriculture and Food
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Cancer Prevention Legacy Fund[2]	Finance
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Tourism, Parks, Recreation and Culture
Alberta Gaming and Liquor Commission	Solicitor General and Public Security
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance
Alberta Heritage Savings Trust Fund	Finance
Alberta Heritage Scholarship Fund	Finance
Alberta Heritage Science and Engineering Research Endowment Fund	Finance
Alberta Historical Resources Foundation	Tourism, Parks, Recreation and Culture
Alberta Insurance Council	Finance
Alberta Local Authorities Pension Plan Corporation[3]	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Advanced Education and Technology
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Municipal Affairs and Housing
Alberta Sport, Recreation, Parks and Wildlife Foundation	Tourism, Parks, Recreation and Culture
Alberta Treasury Branches	Finance
ATB Insurance Advisors Inc.[4]	Finance
ATB Investment Management Inc.	Finance
ATB Investment Services Inc.	Finance
ATB Services Inc.	Finance
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	

[1] Established July 10, 2005.
[2] Proclaimed May 31, 2006.
[3] Incorporated December 16, 2005.
[4] Incorporated July 12, 2006.

Ministry, Department, Fund or Agency	Ministry Annual Report
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
C-FER Technologies (1999) Inc.	Advanced Education and Technology
Credit Union Deposit Guarantee Corporation	Finance
Colleges:	Advanced Education and Technology
Alberta College of Art and Design	
Bow Valley College	
Grande Prairie Regional College	
Grant MacEwan College	
Keyano College	
Lakeland College	
Lethbridge Community College	
Medicine Hat College	
Mount Royal College	
NorQuest College	
Northern Lakes College	
Olds College	
Portage College	
Red Deer College	
Department of Advanced Education and Technology	Advanced Education and Technology
Department of Agriculture and Food	Agriculture and Food
Department of Children's Services	Children's Services
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance
Department of Health and Wellness	Health and Wellness
Department of Municipal Affairs and Housing	Municipal Affairs and Housing
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General and Public Security	Solicitor General and Public Security
Department of Sustainable Resource Development	Sustainable Resource Development
Department of Tourism, Parks, Recreation and Culture	Tourism, Parks, Recreation and Culture
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Tourism, Parks, Recreation and Culture
Historic Resources Fund	Tourism, Parks, Recreation and Culture
Human Rights, Citizenship and Multiculturalism Education Fund	Tourism, Parks, Recreation and Culture

Ministry, Department, Fund or Agency	Ministry Annual Report
iCORE Inc.	Advanced Education and Technology
Lottery Fund	Solicitor General and Public Security
Ministry of Advanced Education and Technology	Advanced Education and Technology
Ministry of Agriculture and Food	Agriculture and Food
Ministry of Children's Services	Children's Services
Ministry of Education	Education
Ministry of Employment, Immigration and Industry[1]	Employment, Immigration and Industry
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Executive Council[1]	Executive Council
Ministry of Finance	Finance
Ministry of Health and Wellness	Health and Wellness
Ministry of Infrastructure and Transportation[1]	Infrastructure and Transportation
Ministry of International, Intergovernmental and Aboriginal Relations[1]	International, Intergovernmental and Aboriginal Relations
Ministry of Justice[1]	Justice
Ministry of Municipal Affairs and Housing	Municipal Affairs and Housing
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Service Alberta[1]	Service Alberta
Ministry of Solicitor General and Public Security	Solicitor General and Public Security
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Tourism, Parks, Recreation and Culture	Tourism, Parks, Recreation and Culture
Ministry of the Treasury Board[1]	Treasury Board
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	
Persons with Developmental Disabilities Provincial Board[2]	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Regional Health Authorities and Provincial Health Boards:	Health and Wellness
Alberta Cancer Board	
Alberta Mental Health Board	
Aspen Regional Health Authority	
Calgary Health Region	

[1] Ministry includes only the departments so separate departmental financial statements are not necessary.
[2] Ceased operations June 30, 2006.

Ministry, Department, Fund or Agency	Ministry Annual Report
Capital Health	Health and Wellness
Chinook Regional Health Authority	
David Thompson Regional Health Authority	
East Central Health	
Health Quality Council of Alberta[7]	
Northern Lights Health Region	
Peace Country Health	
Palliser Health Region	
Safety Codes Council	Municipal Affairs and Housing
School Boards and Charter Schools:	Education
Almadina School Society	
Aspen View Regional Division No. 19	
Aurora School Ltd.	
Battle River Regional Division No. 31	
Black Gold Regional Division No. 18	
Boyle Street Education Centre	
Buffalo Trail Public Schools Regional Division No. 28	
Calgary Arts Academy Society	
Calgary Girls' School Society	
Calgary Roman Catholic Separate School District No. 1	
Calgary School District No. 19	
Calgary Science School Society	
Canadian Rockies Regional Division No. 12	
CAPE-Centre for Academic and Personal Excellence Institute	
Chinook's Edge School Division No. 73	
Christ the Redeemer Catholic Separate Regional Division No. 3	
Clearview School Division No. 71	
East Central Alberta Catholic Separate Schools Regional Division No. 16	
East Central Francophone Education Region No. 3	
Edmonton Catholic Separate School District No. 7	
Edmonton School District No. 7	
Elk Island Catholic Separate Regional Division No. 41	
Elk Island Public Schools Regional Division No. 14	
Evergreen Catholic Separate Regional Division No. 2	
FFCA Charter School Society	
Foothills School Division No. 38	
Fort McMurray Roman Catholic Separate School District No. 32	
Fort McMurray School District No. 2833	

[7] Established July 1, 2006.

Ministry, Department, Fund or Agency	Ministry Annual Report
School Boards and Charter Schools (continued):	Education
Fort Vermilion School Division No. 52	
Golden Hills School Division No. 75	
Grande Prairie Roman Catholic Separate School District No. 28	
Grande Prairie Public School District No. 2357	
Grande Yellowhead Regional Division No. 35	
Grasslands Regional Division No. 6	
Greater North Central Francophone Education Region No. 2	
Greater Southern Public Francophone Education Region No. 4	
Greater Southern Separate Catholic Francophone Education Region No. 4	
Greater St. Albert Catholic Regional Division No. 29	
High Prairie School Division No. 48	
Holy Family Catholic Regional Division No. 37	
Holy Spirit Roman Catholic Separate Regional Division No. 4	
Lakeland Roman Catholic Separate School District No. 150	
Lethbridge School District No. 51	
Living Waters Catholic Regional Division No. 42	
Livingstone Range School Division No. 68	
Medicine Hat Catholic Separate Regional Division No. 20	
Medicine Hat School District No. 76	
Moberly Hall School Society	
Mother Earth's Children's Charter School Society	
New Horizons Charter School Society	
Northern Gateway Regional Division No. 10	
Northern Lights School Division No. 69	
Northland School Division No. 61	
Northwest Francophone Education Region No. 1	
Palliser Regional Division No. 26	
Parkland School Division No. 70	
Peace River School Division No. 10	
Peace Wapiti School Division No. 76	
Pembina Hills Regional Division No. 7	
Prairie Land Regional Division No. 25	
Prairie Rose Regional Division No. 8	
Red Deer Catholic Regional Division No. 39	
Red Deer School District No. 104	
Rocky View School Division No. 41	
St. Albert Protestant Separate School District No. 6	

Ministry, Department, Fund or Agency	Ministry Annual Report
School Boards and Charter Schools (continued):	Education
St. Paul Education Regional Division No. 1	
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38	
Sturgeon School Division No. 24	
Suzuki Charter School Society	
Westmount Charter School Society	
Westwind School Division No. 74	
Wetaskiwin Regional Division No. 11	
Wild Rose School Division No. 66	
Wolf Creek School Division No. 72	
Supplementary Retirement Plan Reserve Fund	Finance
Technical Institutes and The Banff Centre:	Advanced Education and Technology
Northern Alberta Institute of Technology	
Southern Alberta Institute of Technology	
The Banff Centre for Continuing Education	
Universities:	Advanced Education and Technology
Athabasca University	
The University of Alberta	
The University of Calgary	
The University of Lethbridge	
Victims of Crime Fund	Solicitor General and Public Security
Wild Rose Foundation	Tourism, Parks, Recreation and Culture

Entities NOT Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Foundation for Health Research	Advanced Education and Technology
Alberta Heritage Foundation for Medical Research	Advanced Education and Technology
Alberta Heritage Foundation for Science and Engineering Research	Advanced Education and Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs and Housing
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan — Bargaining Unit	Employment, Immigration and Industry
Long-Term Disability Income Continuance Plan — Management, Opted Out and Excluded	Employment, Immigration and Industry
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	Finance
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Special Areas Trust Account	Municipal Affairs and Housing
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Employment, Immigration and Industry

Ministry Contacts

For further information regarding the contents of this annual report please contact:

Position	Name	Phone Number
Minister of Health and Wellness	Dave Hancock	(780) 427-3665 Fax: (780) 415-0961
Deputy Minister of Health and Wellness	Paddy Meade	(780) 422-0747 Fax: (780) 427-1016
Corporate Operations Assistant Deputy Minister	Ray Gilmour	(780) 427-0885 Fax: (780) 422-3672
Health Workforce Assistant Deputy Minister	Glenn Monteith	(780) 415-2745 Fax: (780) 415-8455
Information Strategic Services Assistant Deputy Minister and Chief Information Officer	Linda Miller	(780) 415-1501 Fax: (780) 422-5176
Program Services Acting Assistant Deputy Minister	Darlene Bouwsma	(780) 415-1599 Fax: (780) 422-3674
Public Health Assistant Deputy Minister	Margaret King	(780) 415-2783 Fax: (780) 422-3671
Strategic Directions Assistant Deputy Minister	Annette Trimbee	(780) 427-7038 Fax: (780) 415-0570
Communications Director	Michael Shields	(780) 427-7164 Fax: (780) 427-1171
Human Resources Executive Director	Rick Brick	(780) 427-1060 Fax: (780) 422-1700
Alberta Alcohol and Drug Abuse Commission Interim Manager	Janet Skinner	(780) 415-0370 Fax: (780) 423-1419